

BANC OF AMERICA SECURITIES ASIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2017

BANC OF AMERICA SECURITIES ASIA LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017**

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BANC OF AMERICA SECURITIES ASIA LIMITED

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31st December 2017.

Principal activities

Banc of America Securities Asia Limited (the "Company") is a restricted licensed bank regulated by Hong Kong Monetary Authority and Securities and Futures Commission.

The principal activities of the Company are trading Fixed Income and Currency products.

Results and appropriations

The results of the Company for the year ended 31st December 2017 are set out in the statement of comprehensive income on page 6.

The directors do not recommend the payment of a dividend.

Shares issued in the year

Details of the shares issued in the year ended 31st December 2017 are set out in note 19 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Anand, Puneet

Hughes, Caron Margaret

Laul, Bharat

Su, Chin

Yee, Danny Ong

(appointed on 16th August 2017)

All the existing directors would continue in office.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company's fellow subsidiaries or holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and chief executives' interests and/or short positions in the shares, underlying shares and debenture of the Company or any specified undertaking of the Company or any other associated corporation

Certain directors of the Company are entitled to Employee Stock Compensation. Other than as disclosed in note 11 to the financial statements, at no time during the year was the Company, its fellow subsidiaries, its holding companies or its other associated corporation a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

BANC OF AMERICA SECURITIES ASIA LIMITED

DIRECTORS' REPORT (CONTINUED)

Employee stock compensation

Details of share-based payment transactions are set out in note 11 to the financial statements.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Permitted indemnity provisions

The Bylaws of the Company's ultimate parent entity, Bank of America Corporation ("BAC"), provide that an individual serving as a director of BAC or its one of its affiliates (the "Indemnitee") shall be indemnified against all expense, liability and loss reasonably incurred in connection with any actions or proceedings brought against the Indemnitee by reason of Indemnitee's service as a director. The indemnification is only available if the Indemnitee acted in good faith and in a manner the Indemnity reasonably believed to be in or not opposed to the best interest of BAC and its affiliates, and, with respect to any criminal proceeding, had no reasonable cause to believe that Indemnitee's conduct was unlawful. BAC maintains insurance against the costs associated with defending any claims which may be brought against a director of BAC or one of its affiliates.

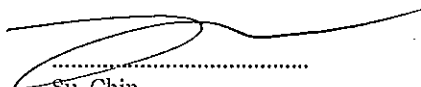
Compliance with the Banking (Disclosure) Rules

The Company is required to comply with the Banking (Disclosure) Rules which set out the minimum standards for public disclosure which authorised institutions must make in respect of the statement of comprehensive income, state of affairs and capital adequacy. The financial statements for the financial year ended 31st December 2017 comply fully with the applicable disclosure provision of the Banking (Disclosure) Rules.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board


.....
Su, Chin

Hong Kong, 25th April 2018

**INDEPENDENT AUDITOR'S REPORT
TO THE SOLE MEMBER OF BANC OF AMERICA SECURITIES ASIA LIMITED**
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of Banc of America Securities Asia Limited (the "Company") standing alone set out on pages 6 to 45, which comprise:

- the balance sheet as at 31st December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company standing alone as at 31st December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") relevant to these financial statements and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements Standing Alone section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors are responsible for the other information. The other information comprises all of the information included in the Directors' Report and Supplementary Financial Information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE SOLE MEMBER OF BANC OF AMERICA SECURITIES ASIA LIMITED
(CONTINUED)**
(incorporated in Hong Kong with limited liability)

Responsibilities of Directors for the Financial Statements Standing Alone

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the applicable HKFRSs issued by the HKICPA relevant to these financial statements and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements Standing Alone

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT
TO THE SOLE MEMBER OF BANC OF AMERICA SECURITIES ASIA LIMITED
(CONTINUED)**

(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25th April 2018

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BANC OF AMERICA SECURITIES ASIA LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2017**

	Note	2017 US\$'000	2016 US\$'000
Interest income		4,388	1,253
Interest expense		(415)	(1)
Net interest income	4	3,973	1,252
Fee and commission expense	5	(47)	(1)
Net trading expense	6	(703)	(99)
Other operating income	7	1,529	-
Operating income		4,752	1,152
Dividend income	17	50,915	-
Operating expenses	8	(56,751)	(93)
(Loss)/Profit before taxation		(1,084)	1,059
Taxation recovery (expense)	12	149	(171)
(Loss)/Profit for the year		<u>(935)</u>	<u>888</u>
Total comprehensive (loss)/income for the year		<u>(935)</u>	<u>888</u>
Attributable to Equity holders		<u>(935)</u>	<u>888</u>

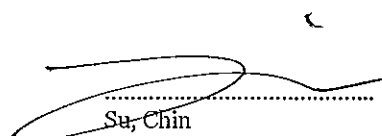
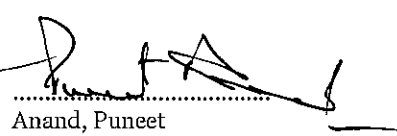
The notes on pages 10 to 45 form an integral part of these financial statements.

BANC OF AMERICA SECURITIES ASIA LIMITED

**BALANCE SHEET
AS AT 31ST DECEMBER 2017**

	Note	2017 US\$'000	2016 US\$'000	Cross Reference to Definition of Capital Components in Appendix 1
Assets				
Cash and balances with banks	14	451,529	264,968	
Financial assets at fair value through profit or loss	15	92,945	1,418	
Derivative financial instruments	16	752	3	
Investment in subsidiary	17	12,971	-	
Amount due from intermediate holding company	21	705	-	
Amount due from affiliates	21	78,411	-	
Current income tax assets		186	-	
Deferred income tax assets	13	145	-	
Other assets		671	-	
Total assets		<u>638,315</u>	<u>266,389</u>	
Liabilities				
Deposits and balances from banks		27,064	1,665	
Financial liabilities held for trading		56,459	-	
Derivative financial instruments	16	837	5	
Amount due to intermediate holding company	21	1,482	64	
Amount due to affiliates	21	14,357	-	
Current income tax liabilities		-	130	
Deferred income tax liabilities	13	-	2	
Other liabilities	18	3,124	38	
Total liabilities		<u>103,323</u>	<u>1,904</u>	
Equity				
Share capital	19	491,442	220,000	(1)
Retained earnings		37,083	38,018	(2)
Other reserves	20	6,467	6,467	(3)
Total equity		<u>534,992</u>	<u>264,485</u>	
Total equity and liabilities		<u>638,315</u>	<u>266,389</u>	

The financial statements on pages 6 to 45 were approved and authorised for issue by the Board of Directors on 25th April 2018 and were signed on its behalf by:

.....
 Su, Chin

.....
 Anand, Puneet

The notes on page 10 to 45 form an integral part of these financial statements.

BANC OF AMERICA SECURITIES ASIA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2017**

	Share capital US\$'000	Retained earnings US\$'000	Other reserves US\$'000	Total US\$'000
Beginning balance at 1st January 2016	220,000	37,130	6,467	263,597
Profit and total comprehensive income for the year	-	888	-	888
Ending balance at 31st December 2016	<u>220,000</u>	<u>38,018</u>	<u>6,467</u>	<u>264,485</u>
Beginning balance at 1st January 2017	220,000	38,018	6,467	264,485
Contributions of equity, net of transaction costs and tax	271,442	-	-	271,442
Total comprehensive loss for the year	-	(935)	-	(935)
Ending balance at 31st December 2017	<u>491,442</u>	<u>37,083</u>	<u>6,467</u>	<u>534,992</u>

The notes on page 10 to 45 form an integral part of these financial statements.

BANC OF AMERICA SECURITIES ASIA LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2017**

	2017 US\$'000	2016 US\$'000
Cash flows from operating activities		
(Loss)/ Profit before taxation	(1,084)	1,059
Adjustment for:		
Net interest income	(3,973)	(1,252)
Interest received	4,388	1,253
Interest paid	(415)	(1)
	<u>(1,084)</u>	<u>1,059</u>
Operating cash flows before movements in working capital	(1,084)	1,059
Change in financial assets at fair value through profit or loss	(91,527)	(1,418)
Change in derivative financial instruments	83	2
Change in placements with banks with original maturity beyond three months	(144)	144
Change in financial liabilities held for trading	56,459	-
Change in amount due to intermediate holding company	713	1
Change in amount due from affiliates	(64,054)	-
Change in other assets	(671)	-
Change in other liabilities	3,086	-
	<u>(97,139)</u>	<u>(212)</u>
Cash used in operating activities	(97,139)	(212)
Income taxes paid	(313)	(70)
	<u>(97,452)</u>	<u>(282)</u>
Net cash used in operating activities	(97,452)	(282)
Cash flows from investing activities		
Dividend received from subsidiary	50,915	-
Repatriation of capital from subsidiary	207,555	-
	<u>258,470</u>	<u>-</u>
Net cash generated from investing activities	258,470	-
Net increase/ (decrease) in cash and cash equivalents	161,018	(282)
Cash and cash equivalents at beginning of year	263,447	263,729
Cash and cash equivalents at end of year	<u>424,465</u>	<u>263,447</u>
Analysis of the balances of cash and cash equivalents:		
Cash and balances with banks and other financial institutions	235,037	4,959
Money at call and short notice	216,492	260,009
Deposits and balances from banks with original maturity within three months	(27,064)	(1,521)
	<u>424,465</u>	<u>263,447</u>

The notes on page 10 to 45 form an integral part of these financial statements.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Banc of America Securities Asia Limited (“the Company”) trades Fixed Income and Currency products. The ultimate holding company is Bank of America Corporation (“BAC”), a listed company incorporated in the United States of America.

The Company is a restricted licensed bank regulated by Hong Kong Monetary Authority and Securities and Futures Commission. The address of its registered office is 52/F, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong.

The financial statements are presented in US dollars, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and requirements of the Hong Kong Companies Ordinance Cap. 622 that are relevant to the preparation of company level financial statements by an intermediate parent company.

The Company is a wholly owned subsidiary of BankAmerica International Financial Corporation and has satisfied the exemption requirement sets out in section 379(3)(a) of the Hong Kong Companies Ordinance (Cap.622) and therefore it is not required to prepare consolidated financial statements.

Given the above, the financial statements are not prepared for the purposes of compliance with HKFRS 10 “Consolidated financial statements” (HKFRS 10) so far as the preparation of consolidated financial statements is concerned. As a consequence, the financial statements do not provide all the information required by HKFRS 10 about the economic activities of the group of which the Company is the parent. Furthermore, as these financial statements are prepared in respect of the Company only, disclosures required by HKFRS 12 “Disclosures of Interests in Other Entities” have not been made.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

(a) New and amended standards adopted by the Company

There are no standards, amendments or interpretations that are effective for the first time for the financial year beginning 1st January 2017 that have had a material impact on the Company.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and interpretations not yet adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st January 2017, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except for the following set out below:

- HKFRS 9 – Financial Instruments (“HKFRS 9”) is effective for accounting periods beginning on or after 1st January 2018 and addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 - Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVPL”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset.

A global project team was established for the implementation of HKFRS 9, including senior management from the business, Risk, Finance and other functions as necessary to review the impact of the changes and revise accounting processes and internal controls. Below is a summary of the expected impacts of adopting HKFRS 9 based on information currently available.

Under the new classification and measurement requirements, the majority of the Company’s financial assets and liabilities will continue to be measured on the same bases as currently adopted under HKAS 39. On adoption of the new standard, and following review of the business model for each portfolio of financial assets, classification and measurement of financial assets are unchanged.

For liabilities designated at fair value through profit or loss, HKFRS 9 requires the recognition of changes in the Company’s own credit risk in other comprehensive income. Classification and measurement of financial liabilities are otherwise unchanged. The changes related to credit risk are not expected to result in an adjustment to equity as at the date of adoption of HKFRS 9.

- HKFRS 15 – Revenue from Contracts with Customers (“HKFRS 15”) is effective for accounting periods beginning on or after 1st January 2018 and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The customer contracts within the scope of the new standard have been identified, and the Company’s current evaluation indicates that the new standard will not impact the timing or measurement of its revenue recognition. Overall the Company does not expect the new accounting standard to have a material impact on its income statement or statement of financial position.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Interest income and expense

Interest income and expenses are recognised in the statement of comprehensive income for all interest-bearing financial instruments, except for those classified as designated at fair value through profit or loss, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.3 Fee and commission expense

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in US dollars, which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying net investment hedges.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.5 Current and deferred income tax

The tax expense for the period comprises current tax and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.6 Share-based compensation

The Company participates in several employee compensation plans managed by Bank of America Corporation ("BAC"), the ultimate holding company.

As this is a group share-based payment arrangement, all awards are treated by the Company as equity-settled share-based payment plans and are measured based on the fair value of those awards at grant date and recognized as staff costs.

For most awards, expense is generally recognized ratably over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, the Company accrues the expense in the year prior to grant. For employees that become retirement eligible during the vesting period, the Company recognises expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures.

There is no net equity impact on the Company's financial positions as the Company has contracted under a global Recharge Agreement to reimburse BAC or through an intermediate holding company, for the issuance of these awards.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts and excluding future credit losses that have not been incurred) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

(ii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

(iii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced directly by the impairment loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iv) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. None of the derivatives entered into during 2017 and 2016 were designated as hedges for accounting purposes.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

(v) Financial liabilities

Financial liabilities issued by the Company are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

The Company's financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at FVTPL when the financial liability is either held for trading or it is designated as FVTPL. The Company's derivatives are categorised as held as trading as at period end.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities (including other payables and amounts due to group companies) are subsequently measured at amortised cost, using the effective interest method.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

(vi) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the statement of comprehensive income.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the statement of comprehensive income.

2.8 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of balances with less than three months' maturity from the date of acquisition including cash and balances with banks and placements with banks.

2.9 Investment in subsidiary

A subsidiary is an entity (including a structured entity) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiary is included in the Company's balance sheet at cost less allowance for impairment. The result of subsidiary is accounted for by the Company on the basis of dividends received or receivable.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The most important types of risk are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and other price risk.

3.1 Credit risk

In conducting its business activities, the Company is exposed to the risk that borrowers or counterparties may default on their obligations to the Company. Credit risk arises through counterparty exposures on capital markets transactions.

The Board of Directors of the Company has established procedures for reviewing and monitoring credit decisions adopted and transactional activity. The Company also takes into account the requirements of the Hong Kong Banking Ordinance and the guidelines issued by the Hong Kong Monetary Authority ("HKMA") with respect to large exposures requirements.

(a) Credit risk measurement

For cash, placements with banks, external rating such as Standard & Poor's and Moody's rating are used for managing the credit risk exposures.

(b) Risk limit control and mitigation policies

The Company maintains strict control limits on derivative position. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Company together with the potential exposures from market movement. The credit risk exposure arise from derivative exposure is managed as part of the overall lending limits with customers.

Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Company's market transactions on any single day.

(c) Maximum exposure to credit risk before collateral held or other credit enhancements

	2017 US\$'000	2016 US\$'000
Cash and balances with banks	451,529	264,968
Financial assets at fair value through profit or loss	92,945	1,418
Derivative financial instruments	752	3
Amount due from intermediate holding company	705	-
Amount due from affiliates	78,411	-
Other assets	671	-
	<u>625,013</u>	<u>266,389</u>

At 31st December 2017 and 31st December 2016, there were no loans and advances to customers.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Credit risk (Continued)

(d) Financial assets at fair value through profit or loss

The table below presents an analysis of financial assets at fair value through profit or loss by rating agency designation for the respective issues at 31st December, based on Standard & Poor's ratings or their equivalent:

	US\$'000
As at 31st December 2017	
AAA	-
AA- to AA+	-
A- to A+	23,680
B- to BBB+	50,288
Lower than B-	1,530
Unrated	17,447
Total	<u>92,945</u>
As at 31st December 2016	
AAA	-
AA- to AA+	1,418
A- to A+	-
B- to BBB+	-
Lower than B-	-
Unrated	-
Total	<u>1,418</u>

At 31st December 2017 and 31st December 2016, there are no overdue nor individually impaired financial assets at fair value through profit or loss.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Credit risk (Continued)

(e) Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by geographical region as of 31st December. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties. Credit risk exposure by geographical sectors is classified according to the location of counterparties after taking into account the transfer risk.

	Hong Kong US\$'000	Asia Pacific excluding Hong Kong US\$'000	North America and South America US\$'000	Europe US\$'000	Total US\$'000
As at 31st December 2017					
Cash and balances with banks	-	14	451,278	237	451,529
Financial assets at fair value through profit or loss	13,153	75,921	1,446	2,425	92,945
Derivative financial instruments	-	-	751	1	752
Amount due from intermediate holding company	-	-	705	-	705
Amount due from affiliates	-	-	-	78,411	78,411
Other assets	-	-	671	-	671
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31st December 2016					
Cash and balances with banks	-	15	264,953	-	264,968
Financial assets at fair value through profit or loss	-	1,418	-	-	1,418
Derivative financial instruments	-	-	-	3	3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Company applies a 'Value-at-Risk' ("VaR") methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Company has in place limits on the VaR that may be accepted. The Company's VaR is monitored on a daily basis.

The daily market VaR is an estimate, with a confidence level set at 99%, of the potential loss that might arise if the current positions were to be held unchanged for one business day. The measurement is structured so that daily losses exceeding the VaR figure should occur, on average, not more than once every 100 days. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VaR calculation.

As VaR constitutes an integral part of the Company's market risk control regime, VaR limits are established for all trading and portfolio operations; actual exposure against limits is reviewed daily by management.

The following table shows the year-end VaR, average, high and low VaR utilisation for trading market risk:

In US\$'000	VaR Utilisation			VaR Utilisation 1st January 2017 to 31st December 2017	
	As at 31st December 2017	Average		High	Low
Total	87	40		141	-
	<u>87</u>	<u>40</u>		<u>141</u>	<u>-</u>
In US\$'000	VaR Utilisation			VaR Utilisation 10th October 2016 to 31st December 2016	
	As at 31st December 2016	Average		High	Low
Total	4	2		5	-
	<u>4</u>	<u>2</u>		<u>5</u>	<u>-</u>

However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(a) Currency risk

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The tables below summarise the Company's exposure to foreign currency exchange rate risk at 31st December. Included in the table are the Company's assets and liabilities at carrying amounts in US dollars equivalent, categorised by the original currency.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Market risk (Continued)

(a) Currency risk (Continued)

	HKD US\$'000	USD US\$'000	CNY US\$'000	Other US\$'000	Total US\$'000
As at 31st December 2017					
<u>Assets</u>					
Cash and balances with banks	383	450,767	352	27	451,529
Financial assets at fair value through profit or loss	-	69,224	23,680	41	92,945
Derivative financial instruments	-	(29,964)	30,716	-	752
Amount due from intermediate holding company	-	705	-	-	705
Amount due from affiliates	-	78,411	-	-	78,411
Other assets	-	671	-	-	671
Total assets	383	569,814	54,748	68	625,013
<u>Liabilities</u>					
Deposits and balances from banks	-	27,035	-	29	27,064
Financial liabilities held for trading	-	56,459	-	-	56,459
Derivative financial instruments	-	(53,917)	54,754	-	837
Amount due to intermediate holding company	149	1,333	-	-	1,482
Amount due to affiliates	-	14,357	-	-	14,357
Other liabilities	113	3,011	-	-	3,124
Total liabilities	262	48,278	54,754	29	103,323
Net on-balance sheet position	121	521,536	(6)	39	521,690

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Market risk (Continued)

(a) Currency risk (Continued)

	HKD US\$'000	USD US\$'000	CNY US\$'000	Other US\$'000	Total US\$'000
As at 31st December 2016					
<u>Assets</u>					
Cash and balances with banks	71	264,870	12	15	264,968
Financial assets at fair value through profit or loss	-	-	1,418	-	1,418
Derivative financial instruments	-	73	(70)	-	3
Total assets	<u>71</u>	<u>264,943</u>	<u>1,360</u>	<u>15</u>	<u>266,389</u>
<u>Liabilities</u>					
Deposits and balances from banks	-	1,665	-	-	1,665
Derivative financial instruments	-	(1,428)	1,433	-	5
Amount due to intermediate holding company	64	-	-	-	64
Other liabilities	38	-	-	-	38
Total liabilities	<u>102</u>	<u>237</u>	<u>1,433</u>	<u>-</u>	<u>1,772</u>
Net on-balance sheet position	<u>(31)</u>	<u>264,706</u>	<u>(73)</u>	<u>15</u>	<u>264,617</u>

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Market risk (Continued)

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The tables summarise the Company's exposure to interest rate risk as at 31st December. Included in the tables are the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Non- interest bearing US\$'000	Total US\$'000
As at 31st December 2017							
<u>Assets</u>							
Cash and balances with banks	216,882	-	-	-	-	234,647	451,529
Financial assets at fair value through profit or loss	-	-	7,882	56,205	28,858	-	92,945
Derivative financial instruments	-	-	-	-	-	752	752
Amount due from intermediate holding company	-	-	-	-	-	705	705
Amount due from affiliates	-	-	-	-	-	78,411	78,411
Other assets	671	-	-	-	-	-	671
Total assets	217,553	-	7,882	56,205	28,858	314,515	625,013
<u>Liabilities</u>							
Deposits and balances from banks	27,054	-	-	-	-	10	27,064
Financial liabilities held for trading	-	-	3,881	41,174	11,404	-	56,459
Derivative financial instruments	-	-	-	-	-	837	837
Amount due to intermediate holding company	-	-	-	-	-	1,482	1,482
Amount due to affiliates	-	-	-	-	-	14,357	14,357
Other liabilities	650	-	-	-	-	2,474	3,124
Total liabilities	27,704	-	3,881	41,174	11,404	19,160	103,323
Total interest sensitivity gap	189,849	-	4,001	15,031	17,454	295,355	

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Market risk (Continued)

(b) Interest rate risk (Continued)

	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Non- interest bearing US\$'000	Total US\$'000
As at 31st December 2016							
<u>Assets</u>							
Cash and balances with banks	260,022	-	-	-	-	4,946	264,968
Financial assets at fair value through profit or loss	-	-	70	741	607	-	1,418
Derivative financial instruments	-	-	-	-	-	3	3
Total assets	260,022	-	70	741	607	4,949	266,389
<u>Liabilities</u>							
Deposits and balances from banks	1,521	-	144	-	-	-	1,665
Derivative financial instruments	-	-	-	-	-	5	5
Amount due to intermediate holding company	-	-	-	-	-	64	64
Other liabilities	-	-	-	-	-	38	38
Total liabilities	1,521	-	144	-	-	107	1,772
Total interest sensitivity gap	258,501	-	(74)	741	607	4,842	

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Market risk (Continued)

(b) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year. A 200 basis points change is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rate had been 200 basis points higher/lower (subject to interest rate floor) and all other variables were held constant, the Company's profit before taxation for the year ended 31st December 2017 would increase/decrease by US\$2,559,000/US\$2,559,000 (2016: increase/decrease by US\$5,195,000/US\$5,195,000), respectively.

3.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

(a) Liquidity risk management process

The Company's management of liquidity is conducted in accordance with the corporate strategy on liquidity and in compliance with the rules, regulations and guidelines stipulated by the local regulatory authority. The process, as carried out within the Company and monitored by the Treasury unit, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure liquidity requirements can be met;
- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity against internal and regulatory requirements;
- Management review on balance sheet profile and maturity gaps; and
- Reporting of non-compliance on internal and regulatory requirements.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Liquidity risk (Continued)

(b) Maturity analysis

The tables below summarise the Company's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	Repayable on demand US\$'000	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Undated US\$'000	Total US\$'000
As at 31st December 2017								
Assets								
Cash and balances with banks	235,037	216,492	-	-	-	-	-	451,529
Financial assets at fair value through profit or loss	-	-	-	7,882	56,205	28,858	-	92,945
Derivative financial instruments	-	752	-	-	-	-	-	752
Amount due from intermediate holding company	-	705	-	-	-	-	-	705
Amount due from affiliates	-	78,411	-	-	-	-	-	78,411
Other assets	671	-	-	-	-	-	-	671
Total assets	235,708	296,360	-	7,882	56,205	28,858	-	625,013
Liabilities								
Deposits and balances from banks	10	-	27,054	-	-	-	-	27,064
Financial liabilities held for trading	-	-	-	3,881	41,174	11,404	-	56,459
Derivative financial instruments	-	837	-	-	-	-	-	837
Amount due to intermediate holding company	-	1,482	-	-	-	-	-	1,482
Amount due to affiliates	-	14,357	-	-	-	-	-	14,357
Other liabilities	650	-	2,273	113	-	-	88	3,124
Total liabilities	660	16,676	29,327	3,994	41,174	11,404	88	103,323
Net liquidity gap	235,048	279,684	(29,327)	3,888	15,031	17,454	(88)	521,690

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Liquidity risk (Continued)

(b) Maturity analysis (Continued)

As at 31st December 2016

Assets

Cash and balances with banks
 Financial assets at fair value through profit or loss
 Derivative financial instruments

Total assets

Liabilities

Deposits and balances from banks
 Derivative financial instruments
 Amount due to intermediate holding company
 Other liabilities

Total liabilities

Net liquidity gap

	Repayable on demand US\$'000	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Undated US\$'000	Total US\$'000
Cash and balances with banks	4,959	260,009	-	-	-	-	-	264,968
Financial assets at fair value through profit or loss	-	-	-	70	741	607	-	1,418
Derivative financial instruments	-	-	-	3	-	-	-	3
Total assets	4,959	260,009	-	73	741	607	-	266,389
Deposits and balances from banks	-	-	1,521	144	-	-	-	1,665
Derivative financial instruments	-	5	-	-	-	-	-	5
Amount due to intermediate holding company	-	64	-	-	-	-	-	64
Other liabilities	-	-	-	38	-	-	-	38
Total liabilities	-	69	1,521	182	-	-	-	1,772
Net liquidity gap	4,959	259,940	(1,521)	(109)	741	607	-	264,617

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Liquidity risk (Continued)

(c) Funding approach

Sources of liquidity are regularly reviewed by the Treasury unit to ensure daily and expected funding requirement can be fully met.

(d) Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Undated US\$'000	Total US\$'000
At 31st December 2017							
Deposits and balances from banks	10	27,054	-	-	-	-	27,064
Financial liabilities held for trading	-	-	3,881	41,174	11,404	-	56,459
Amount due to intermediate holding company	1,482	-	-	-	-	-	1,482
Amount due to affiliates	14,357	-	-	-	-	-	14,357
Other liabilities	650	2,273	113	-	-	88	3,124
	<u>16,499</u>	<u>29,327</u>	<u>3,994</u>	<u>41,174</u>	<u>11,404</u>	<u>88</u>	<u>102,486</u>
Assets held for managing liquidity risk	<u>531,316</u>	<u>-</u>	<u>7,882</u>	<u>56,205</u>	<u>28,858</u>	<u>-</u>	<u>624,261</u>
At 31st December 2016							
Deposits and balances from banks	-	1,521	144	-	-	-	1,665
Amount due to intermediate holding company	64	-	-	-	-	-	64
Other liabilities	-	-	38	-	-	-	38
	<u>64</u>	<u>1,521</u>	<u>182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,767</u>
Assets held for managing liquidity risk	<u>264,968</u>	<u>-</u>	<u>70</u>	<u>741</u>	<u>607</u>	<u>-</u>	<u>266,386</u>

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Liquidity risk (Continued)

(e) Derivative liabilities

The table below analyses the Company's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of the timing of the cashflows on all derivatives. Some of the Company's derivatives are subject to collateral requirements. Cash flows for those derivatives could occur earlier than the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Undated US\$'000	Total US\$'000
At 31st December 2017							
Derivative financial instruments:							
Exchange rate contracts							
- Outflow	54,707	-	-	-	-	-	54,707
- Inflow	53,956	-	-	-	-	-	53,956
At 31st December 2016							
Derivative financial instruments:							
Exchange rate contracts							
- Outflow	1,436	-	-	-	-	-	1,436
- Inflow	1,428	-	-	-	-	-	1,428

3.4 Fair value of financial assets and liabilities

The fair value of financial instruments traded in an active market (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.4 Fair value of financial assets and liabilities (Continued)

- (a) The fair values of financial assets and liabilities not presented at fair value in the Company's balance sheet are estimated as follows:

Cash and short term funds

The fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits, which is normally less than one year, is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. Therefore the fair value is approximately equal to its carrying value.

Placements with banks

The estimated fair value of fixed interest-bearing deposits of banks without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. As they are normally less than one year, their fair values are approximately equal to their carrying values.

Other assets and other liabilities

The carrying value of other assets and other liabilities approximates their fair value as these balances are generally short term in nature and the associated credit risk considered to be insignificant.

- (b) Fair value hierarchy

HKFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes actively traded securities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes the majority of the OTC derivative contracts. The sources of input parameters are Bloomberg and Reuters.

Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.4 Fair value of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

	Level 2 US\$'000
At 31st December 2017	
Assets	
Financial assets at fair value through profit or loss	
Debt securities	92,945
Derivative financial instruments	
Exchange rate contracts	752
Total assets	<u>93,697</u>
Liabilities	
Financial liabilities held for trading	
Debt securities	56,459
Derivative financial instruments	
Exchange rate contracts	837
Total liabilities	<u>57,296</u>
	Level 2 US\$'000
At 31st December 2016	
Assets	
Financial assets at fair value through profit or loss	
Debt securities	1,418
Derivative financial instruments	
Exchange rate contracts	3
Total assets	<u>1,421</u>
Liabilities	
Derivative financial instruments	
Exchange rate contracts	5
Total liabilities	<u>5</u>

There were no transfers of financial assets or liabilities between levels of the fair value hierarchy classifications during the years ended 31st December 2017 and 2016.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.5 Capital management

The Company's objectives when managing capital are as follows:

- To comply with the capital requirement under the Banking (Capital) Rule of the Hong Kong Banking Ordinance;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits of other stakeholders;
- To support the Company's stability and growth; and
- To maintain a strong capital base to support the development of its business.

The Hong Kong Banking Ordinance requires each bank or banking group to maintain a ratio of total regulatory capital to the risk-weighted asset (the capital adequacy ratio) at or above the minimum of 8%.

Capital adequacy and the use of capital are monitored daily by the Company's management. The Company applies an internal trigger capital adequacy ratio which is well above the minimum statutory requirement as an indicator for managing the capital adequacy. In addition, the Company will assess the impact on its capital adequacy ratio when there are new products, new investments or any significant transactions.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.5 Capital management (Continued)

The table below summarises the ratio and the composition of regulatory capital of the Company as at 31st December.

	2017	2016
Capital adequacy ratios		
Common Equity Tier 1	163.05%	487.40%
Tier 1	163.05%	487.40%
Total	163.05%	487.40%

The capital base used in the calculation of the above capital adequacy ratios as at 31st December and reported to HKMA is analysed as follows:

	2017 US\$'000	2016 US\$'000
Components of capital base:		
Common Equity Tier 1:		
Paid up ordinary share capital	491,442	220,000
Disclosed reserves	44,485	43,597
Profit and loss account	(935)	888
Total capital base	<u>534,992</u>	<u>264,485</u>

The capital adequacy ratios (including Common Equity Tier 1, Tier 1 Capital and Total Capital ratios) as at 31st December 2017 and 31st December 2016 were calculated in accordance with the Banking (Capital) Rules (the "Capital Rules") issued by the HKMA under section 98A of the Hong Kong Banking Ordinance. HKMA has implemented Basel III capital adequacy requirements which became effective on 1st January 2014. In accordance with the Capital Rules, the Company has adopted the "standardised (credit risk) approach" for the calculation of the risk-weighted assets for credit risk and the "basic indicator approach" for the calculation of operational risk.

There were no regulatory deductions on the Company's Common Equity Tier 1 capital and the total capital base as at 31st December 2017 and 31st December 2016. In addition, there were no limits or minima applied to the calculation of the capital base of the Company in accordance with the Capital Rules.

BANC OF AMERICA SECURITIES ASIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS****3 Financial risk management (Continued)****3.5 Capital management (Continued)**

The Banking (Capital) (Amendment) Rules 2014 came into effect on 1st January 2015 to implement the Basel III capital buffer requirements in Hong Kong. The changes include the phase-in from 2016 to 2019 of the Capital Conservation Buffer ("CCB") which is designed to ensure banks build up capital outside periods of stress of 2.5% of risk-weighted assets, the Countercyclical Capital Buffer ("CCyB") which is set on an individual country basis and is built up during periods of excess credit growth to protect against future losses, and the Higher Loss Absorbency ("HLA") requirements for Domestic Systemically Important Banks ("D-SIB"). On 27th January 2015 and 14th January 2016, the HKMA announced a CCyB for Hong Kong of 0.625% and 1.25% of risk-weighted assets from 1st January 2016 and 1st January 2017 respectively under the phase-in arrangements of Basel III, equivalent to 2.5% once fully phased in. On 16th March 2015 and 31st December 2015, the HKMA announced that the Company is not designed as a D-SIB in Hong Kong and is not required to establish risk-weighted assets for HLA from 1st January 2016 under the phase-in arrangement.

The applicable CCyB ratio to the Company as at 31st December is as follows:

	2017	2016
Countercyclical capital buffer ("CCyB") ratio	<u>0.21%</u>	<u>0%</u>

During the year, the Company has complied with all of the externally imposed capital requirements set by the HKMA.

4 Net interest income

	2017 US\$'000	2016 US\$'000
Interest income		
Placements with banks	3,178	1,235
Financial assets at fair value through profit or loss	<u>1,210</u>	<u>18</u>
	4,388	1,253
	-----	-----
Interest expense		
Deposits and balances from banks	(160)	(1)
Financial liabilities held for trading	<u>(255)</u>	<u>-</u>
	(415)	(1)
	-----	-----
Net interest income	<u>3,973</u>	<u>1,252</u>

Included within interest income and interest expenses are US\$3,178,000 (2016: US\$1,235,000) and US\$ 160,000 (2016: US\$1,000) for financial assets and financial liabilities that are not at fair value through profit or loss respectively.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Fee and commission expense

	2017 US\$'000	2016 US\$'000
Securities custodian fees	46	-
Other fees paid	1	1
	<u>47</u>	<u>1</u>
Fee and commission expense	<u><u>47</u></u>	<u><u>1</u></u>

No fee income and fee expenses, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value.

6 Net trading expense

	2017 US\$'000	2016 US\$'000
Net foreign exchange loss	737	14
Net (gain)/ loss from financial instruments at fair value through profit or loss	(34)	85
	<u>703</u>	<u>99</u>
	<u><u>703</u></u>	<u><u>99</u></u>

7 Other operating income

	2017 US\$'000	2016 US\$'000
Service fee income	1,155	-
Others	374	-
	<u>1,529</u>	<u>-</u>
	<u><u>1,529</u></u>	<u><u>-</u></u>

8 Operating expenses

	2017 US\$'000	2016 US\$'000
Auditors' remuneration	80	31
Employee benefit expenses (Note 9)	3,636	-
Directors' emoluments (Note 10)	37	-
Legal and professional fees	126	4
Licence fee	49	58
Impairment loss of subsidiary	50,915	-
Service fee expenses	1,829	-
Others	79	-
	<u>56,751</u>	<u>93</u>
	<u><u>56,751</u></u>	<u><u>93</u></u>

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 Employee benefit expenses

	2017 US\$'000	2016 US\$'000
Wages, salaries and other staff costs	2,687	-
Share-based payments (note 11)	893	-
Retirement benefit schemes contribution	22	-
Other post-employment benefits	34	-
	<u>3,636</u>	<u>-</u>

As of 31st December 2017, staff related payable of US\$34,000 (2016: Nil) is included in other liabilities.

10 Directors' emoluments

	2017 US\$'000	2016 US\$'000
Fees	37	-
	<u>37</u>	<u>-</u>

Certain directors of the Company are members of stock option schemes and restricted stock plans which give them the rights to acquire shares in BAC. During the year ended 31st December 2017, no stock and/ or stock option in respect of their services to the Company was granted to the directors.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 Share-based payments

The Company participates in several employee compensation plans managed by BAC, with awards being granted predominantly from the Bank of America Corporation Key Employee Equity Plan (“KEEP”).

Generally, one-third of the restricted stock units (“RSUs”) vest on each of the first three anniversaries of the grant date provided that the employee remains continuously employed with the Company during that time.

The fair value of RSU was determined based on the price of BAC common stock at the date of grant. RSUs may be settled in cash or in shares of common stock depending on the terms of the applicable award.

The compensation cost for the stock-based plans was US\$893,000 and US\$0 in 2017 and 2016 respectively.

Other Stock Plans

The activities for non-qualified stock options granted under these plans for 2017 and 2016 are presented below:

	Options outstanding	Weighted- average exercise price
Outstanding, at 1st January 2016 and 31st December 2016	126	US\$53.85
Paid, forfeited or released from contingencies	-	-
Expired	(126)	US\$53.85
Transferred in	23,980	US\$64.69
Outstanding, at 31st December 2017	<u>23,980</u>	US\$64.69
Exercisable, at 31st December 2017	<u>23,980</u>	
Exercisable, at 31st December 2016	<u>126</u>	

Stock options outstanding at the end of the year have the following expiry date and weighted average exercise prices:

Expiry date	<u>2017</u>		<u>2016</u>	
	Average grant exercise price in US\$ per share	Number of options	Average grant exercise price in US\$ per share	Number of options
2017	-	-	53.85	126
2018	64.69	23,980	-	-
		<u>23,980</u>		<u>126</u>

No stock options were granted in 2017 and 2016.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 Taxation

Hong Kong profits tax has been calculated at the rate of 16.5% on the estimated assessable profit for the year.

- (a) The amount of tax charged to the statement of comprehensive income represents:

	2017 US\$'000	2016 US\$'000
Current income tax:		
- Hong Kong profits tax	(2)	186
Deferred tax		
- Reversal of temporary differences	(147)	(15)
Taxation (recovery) expense	<u>(149)</u>	<u>171</u>

- (b) The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2017 US\$'000	2016 US\$'000
(Loss)/ Profit before taxation	(1,084)	1,059
Calculated at Hong Kong profits tax rate of 16.5%	(179)	175
Tax effect:		
Expenses not deductible for tax purposes	21	13
Income not taxable for tax purposes	(8)	-
Tax losses for which no deferred income tax asset was recognised	19	-
Temporary differences reversal	-	(15)
Adjustment in respect of prior years	(2)	(2)
Taxation (recovery) expense	<u>(149)</u>	<u>171</u>

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 Deferred income tax assets/ (liabilities)

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2016: 16.5%). The movement in the deferred income tax assets/ (liabilities) during the year is as follows:

	Depreciation allowances US\$'000	Share-based payment charge and accrual US\$'000	Total US\$'000
Beginning balance at 1st January 2016	(17)	-	(17)
Charge to the statement of comprehensive income for the year	15	-	15
Ending balance at 31st December 2016	(2)	-	(2)
Charge to the statement of comprehensive income for the year	-	147	147
Ending balance at 31st December 2017	(2)	147	145

14 Cash and balances with banks

	2017 US\$'000	2016 US\$'000
Demand balances with banks	235,037	4,959
Money at call and short notice	216,492	260,009
	<u>451,529</u>	<u>264,968</u>

15 Financial assets at fair value through profit or loss

	2017 US\$'000	2016 US\$'000
Unlisted debt securities, at fair value:		
Government bonds	23,721	1,418
Corporate bonds	69,224	-
	<u>92,945</u>	<u>1,418</u>

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Derivative financial instruments

The Company uses the following derivative instruments for trading purpose.

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates or a combination of these. No exchange of principal takes place, except for certain currency swaps. The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

The notional amounts provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial instrument assets and liabilities can fluctuate significantly from time to time. None of the derivative financial instruments is subject to bilateral netting arrangement.

The fair values of derivative instruments held are set out below:

	Notional amount US\$'000	Fair Value	
		Assets US\$'000	Liabilities US\$'000
At 31st December 2017			
Derivatives held for trading			
- Exchange rate contracts			
Currency swaps	132,968	752	(837)
	<u> </u>	<u> </u>	<u> </u>
At 31st December 2016			
Derivatives held for trading			
- Exchange rate contracts			
Currency swaps	2,932	3	(5)
	<u> </u>	<u> </u>	<u> </u>

As at 31st December, the credit risk-weighted amounts of the financial derivative exposures entered during the year, are shown on a gross basis as follows:

	Credit risk weighted amount	
	2017 US\$'000	2016 US\$'000
Derivatives:		
- Exchange rate contracts		
Currency swaps	1,065	23
	<u> </u>	<u> </u>

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Derivative financial instruments (Continued)

The contractual amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date, they do not represent amounts at risk.

The credit risk-weighted amounts at 31st December 2017 and 31st December 2016 were computed in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

17 Investment in subsidiary

	US\$'000
<u>Unquoted – at investment cost</u>	
At 1st January 2016 and 31st December 2016	-
Capital contribution (note i)	271,442
Capital repatriation from subsidiary (note ii)	(207,556)
Impairment loss recognized (note iii)	(50,915)
	12,971
At 31st December 2017	12,971

Note:

- (i) On 1st August 2017, the Company's immediate holding company, BankAmerica International Financial Corporation, transferred and contributed its shares in BA Australia Limited of US\$271,442,000 to the Company.
- (ii) On 1st August 2017 upon the capital contribution (note i), BA Australia Limited repatriated its capital of US\$207,556,000 and distributed a dividend of US\$50,915,000 to the Company.
- (iii) During the year, the directors assessed the recoverable amounts of investment in subsidiary by reference to value in use, and determined that the cost of investment in subsidiary was impaired by US\$50,915,000 (2016: N/A).

Details of the Company's subsidiary at 31 December 2017 and 2016 are as follows:

Name of company	Proportion of nominal value of issued capital held by the Company		Place of incorporation	Class of share held	Principal activities
	2017	2016			
BA Australia Limited	100%	N/A	Australia	Ordinary	In the process of liquidation

18 Other liabilities

	2017 US\$'000	2016 US\$'000
Other payable	3,124	38

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Share capital

	Number of shares	Share capital US\$'000
Ordinary shares, issued and fully paid:		
At 31st December 2016	110,000,000	220,000
Capital contribution (Note 17)	-	271,442
At 31st December 2017	<u>110,000,000</u>	<u>491,442</u>

20 Other reserves

	Share-based payments reserve US\$'000
At 1st January 2016 and 31st December 2016	6,467
Directors' and employees' stocks and stock options granted	-
At 31st December 2017	<u>6,467</u>

Share-based payments reserve is not available for distribution.

21 Balances with group companies

Included in the following balance sheet captions are balances with subsidiaries of BAC, the ultimate holding company.

	2017 US\$'000	2016 US\$'000
Assets		
Cash and balance with bank		
Demand balances with banks	234,623	4,932
Money at call and short notice	216,492	260,009
	<u>451,115</u>	<u>264,941</u>
Derivative financial instruments	752	3
Amount due from intermediate holding company	705	-
Amount due from affiliates	78,411	-
	<u>530,983</u>	<u>264,944</u>
Liabilities		
Deposits and balances from banks	27,054	1,665
Derivative financial instruments	837	5
Amount due to intermediate holding company	1,482	64
Amount due to affiliates	14,357	-
	<u>43,730</u>	<u>1,734</u>

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 Related party transactions

The Company is wholly owned by BankAmerica International Financial Corporation, a limited company incorporated in the United States of America. The ultimate holding and controlling party of the Company is BAC, a limited company incorporated in the United States of America.

In addition to balances with group companies as set out in note 21, the Company had the following material transactions with related parties during the year:

(a) Profit and loss	Note	2017 US\$'000	2016 US\$'000
Revenue			
Interest income on placements	(i)	3,178	1,235
Dividend income	(ii)	50,915	-
Service fee income	(iii)	1,155	-
Other operating income	(iv)	374	-
Expenses			
Interest expense on deposits	(v)	(160)	(1)
Impairment loss of subsidiary	(vi)	(50,915)	-
Service fee expenses	(vii)	(1,829)	-
		<u> </u>	<u> </u>

Note:

- (i) The interest income was generated from placements with group companies. The interest rates are similar to that which would normally apply to customers of comparable standing.
- (ii) The amount represents dividend income from subsidiary (Note 17).
- (iii) Service fee income represents income received and receivable from supporting services provided to group companies and income recognised when certain charges are accrued by the Company. Service fees are calculated in accordance with BAC Global Transfer Pricing Policy and are generally documented in service level agreements entered into between the Company and other group companies.
- (iv) During the year, the Company was allocated by BAC the financial results of hedges entered into by BAC in hedging the price risk of certain employee share-based awards of US\$374,000 (2016: Nil). The allocation was based on the Recharge Agreement as described in note 2.6. This amount was recognised as other operating income in the statement of comprehensive income.
- (v) The interest expenses were paid on deposits from group companies. The interest rates are similar to that which would normally apply to customers of comparable standing.
- (vi) The amount represents impairment loss of subsidiary (Note 17).
- (vii) Service fee expenses represent expenses paid and payable for supporting services provided by group companies and expenses recognised when certain charges are accrued by the service provider. Service fees are calculated in accordance with BAC Global Transfer Pricing Policy and are generally documented in service level agreements entered into between the Company and other group companies.

BANC OF AMERICA SECURITIES ASIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 Related party transactions (Continued)

(a) Profit and loss (Continued)

The amounts paid to holding companies include amount charged under the Recharge Agreement described in note 2.6 for the Company's participation in the employee compensation plans. The fee is determined based on the change of the fair value between the grant dates and the vesting dates for shares; and between the grant dates and the exercise dates for options and the allocation of fair value for employees who rendered services to the Company and other group companies during the life of the awards. The amount included in Service fee expense is a net service fee of US\$1,080,000 (2016: Nil).

(b) Derivatives transactions

	Note	2017 US\$'000	2016 US\$'000
Exchange rate contracts with group companies for trading purpose	(i)	<u>132,968</u>	<u>2,932</u>

Note:

- (i) Balances represent the contractual notional amount of the outstanding currency swap contracts entered into with group companies. The terms of these contracts were entered in accordance with terms and conditions which would apply to customers of comparable standing.

(c) Investment in subsidiaries and capital contribution

Details of transfer of subsidiary and capital contribution are set out in note 17 to the financial statements.

23 Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly, including the members of the Board of Directors and the members of the Operating Committee of the Company.

Apart from the aggregated amount of directors' emoluments as disclosed in note 9 above, there were no other contracts and transactions with key managements during the year of 2016 and 2017.

24 Contingent liabilities and commitments

At 31st December 2017 and 31st December 2016, the Company did not have any contingent liabilities and commitments.

25 Ultimate holding company

The ultimate holding company is Bank of America Corporation, a company incorporated in the United States of America.

26 Approval of accounts

The accounts were approved by the Board of Directors on April 25, 2018.

The following supplementary financial information is disclosed
as part of the accompanying information to the accounts and
does not form part of the audited accounts

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

1. Liquidity information

Liquidity maintenance ratio

	As at 31 December 2017	As at 31 December 2016
Average liquidity maintenance ratio for the financial period	<u>37,380%</u>	<u>N/A</u>

The Banking (Liquidity) Rules ('BLR'), effective on 1st January 2015, signified the implementation of Liquidity Maintenance Ratio ('LMR') for category 2 Institution under Basel III liquidity standards in Hong Kong.

Liquidity risk management process

Liquidity risk is the potential inability to meet expected or unexpected cash flow and collateral needs while continuing to support our business and customer needs under a range of economic conditions. The primary objective of liquidity risk management is to ensure that BASAL Hong Kong can meet expected and unexpected cash flow and collateral needs while continuing to support our businesses and customers with the appropriate funding sources, under a range of economic conditions.

The Treasurer is responsible for managing liquidity risk within a liquidity risk framework that is set out in the entity's Liquidity Risk Policy

The primary liquidity risk management objective is to develop a strategy to ensure the entity can meet contractual and contingent financial obligations through market cycles and periods of liquidity stress, while maintaining compliance with all applicable regulatory requirements as well as operational and legal restrictions on inter-affiliate transfers of liquidity or capital. The policy outlines the roles and responsibilities, reporting, governance, and regulatory requirements of HKMA in managing the liquidity risk of BASAL Hong Kong.

The governance and oversight for liquidity risk management in the entity is the responsibility of the ALCO and senior management. The ALCO provides strategic direction in the management of liquidity risk, while the day-to-day management of the liquidity risk is the responsibility of the Treasurer, who reports functionally into the regional Treasurer. A separate team within Corporate Treasury, Global Liquidity Management, has the regional responsibility to work with the Treasurer in each country to support the management of liquidity risk.

TCF Risk is an independent regional team that report into the risk management organization. The team is primarily focused on liquidity and capital risks and provide a second line of defense for the entity. TCF Risk oversees related governance structures, policies, limits and controls, as well as ensuring effective escalation of issues and risks.

Global Liquidity Management and the Treasurer undertake a Liquidity Assessment once a year, providing an analysis of the entity's balance sheet from a funding and liquidity perspective. The entity's asset composition, funding mix, asset and liability mismatches, and other liquidity risk drivers are reviewed. Balance sheet forecasting along with the funding plan is also reviewed. The Liquidity Assessment also reviews the CFP action steps available to the entity. The Liquidity Assessment is presented to the ALCO for review.

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

1. Liquidity information (Continued)

Liquidity stress testing is performed by Global Liquidity Management and reported daily to the Treasurer. The liquidity stress tests are conducted based on three scenarios, varying in severity, assumptions, and time horizons. Liquidity stress tests are reported regularly to the ALCO. The Treasurer, in conjunction with Global Liquidity Management and TCF Risk, is responsible for liquidity stress testing assumptions which are presented to the ALCO for review and obtain approval from ALCO or whenever there are changes.

Liquidity limits and EWIs are established to manage liquidity risk within risk appetite and ensure the amount of liquidity maintained at the entity remains prudently sized under baseline and stressed conditions. The limits and EWIs are reviewed annually by TCF Risk, together with Treasury, and reported daily to the Treasurer and regularly to the ALCO. Tripwire or limit breaches are escalated by TCF Risk in accordance with the Bank of America Risk Appetite Guidelines and internal procedures.

2. Capital Adequacy

2.1 Capital adequacy ratios

The capital adequacy ratios were compiled in accordance with the Banking (Capital) Rules ("BCR") issued by the HKMA.

	As at 31 December 2017 US\$'000	As at 31 December 2016 US\$'000
Capital base:		
Common Equity Tier 1 Capital	534,846	264,485
Tier 1 Capital	534,846	264,485
Total Capital	534,846	264,485
 Total RWA	 328,020	 54,265

The table below summarises the ratios and the composition of regulatory capital of the Company as at 31 December 2017.

	As at 31 December 2017	As at 31 December 2016
Capital adequacy ratios		
Common Equity Tier 1	163.05%	487.40%
Tier 1	163.05%	487.40%
Total	163.05%	487.40%

2.2 Capital Conservation Buffer Ratio

The capital conservation buffer ratio for calculating the Bank's buffer level is 1.25% for 2017 (2016: 0.625%) in accordance to section 3M of the Banking (Capital) Rules.

2.3 Countercyclical capital buffer ratio

The countercyclical capital buffer ratio was compiled in accordance to section 3O of the Banking (Capital) Rules.

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2. Capital Adequacy (Continued)

	As at 31 December 2017	As at 31 December 2016
Countercyclical capital buffer ("CCyB") ratio	<u>0.21%</u>	<u>0%</u>

2.4 Geographical breakdown of RWA related to Credit Exposures used in the Countercyclical Capital Buffer Ratio

As at 31 December 2017					
	Jurisdiction	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	US\$'000	%	US\$'000
1	Hong Kong SAR	1.250%	29,582		
2	China	0.00%	55,019		
3	Australia	0.00%	34,658		
4	Bangladesh	0.00%	210		
5	British Virgin Islands	0.00%	1,479		
6	Cayman Islands	0.00%	2,512		
7	France	0.00%	3,164		
8	India	0.00%	10,963		
9	Indonesia	0.00%	10,114		
10	Mauritius	0.00%	608		
11	Netherlands	0.00%	1,139		
12	Singapore	0.00%	23,371		
13	United Kingdom	0.00%	2,052		
14	United States of America	0.00%	2,547		
	Total		177,418	0.21%	370

3. **Composition of Capital**

3.1 **Financial Statements and Regulatory Scope of Consolidation**

For regulatory reporting purposes, the bank is required to compute its capital adequacy ratio and leverage ratio on a solo basis.

3.2 **Capital Adequacy and Reconciliation of Regulatory Capital to the Financial Statement**

The following table sets out the detailed composition of the Company's regulatory capital as at 31 December 2017.

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

2. Capital Adequacy (Continued)

	USD'000	Component of regulatory capital reported by Bank	Amounts subject to pre- Basel III treatment*	Cross reference to condense d balance sheet
CET1 capital instruments and reserves				
1	Directly issued qualifying CET1 capital instruments plus any related share premium	491,442		(1)
2	Retained earnings	37,083		(2)
3	Disclosed reserves	6,467		(3)
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable		
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	Not applicable		
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-		
6	CET1 capital before regulatory deductions	534,992		
CET1 capital regulatory deductions				
7	Valuation adjustments	-		
8	Goodwill (net of associated deferred tax liability)	-		
9	Other intangible assets (net of associated deferred tax liability)	-	-	
10	Deferred tax assets net of deferred tax liabilities	145		(4)
11	Cash flow hedge reserve	-		
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	-	
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	-	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	

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19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the common stock of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	-	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	-	
26c	Securitization exposures specified in a notice given by the Monetary Authority	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	-
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	-
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	-	
29	CET1 capital	534,846	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Capital instruments subject to phase out arrangements from AT1 capital	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	

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35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	-	
36	AT1 capital before regulatory deductions	-	
AT1 capital regulatory deductions			
37	Investments in own AT1 capital instruments	-	-
38	Reciprocal cross-holdings in AT1 capital instruments	-	-
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	-
41	National specific regulatory adjustments applied to AT1 capital	-	
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-	
i	<i>of which: Excess of total EL amount over total eligible provisions under the IRB approach</i>	-	
ii	<i>of which: Capital shortfall of regulated non-bank subsidiaries</i>	-	
iii	<i>of which: Investments in own CET1 capital instruments</i>	-	
iv	<i>of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities</i>	-	
v	<i>of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)</i>	-	
vi	<i>of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation</i>	-	
vii	<i>of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation</i>	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	

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43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	-	
45	Tier 1 capital (Tier 1 = CET1 + AT1)	534,846	
Tier 2 capital instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	-	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	-	
51	Tier 2 capital before regulatory deductions	-	
Tier 2 capital regulatory deductions			
52	Investments in own Tier 2 capital instruments	-	-
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	-
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	-
56	National specific regulatory adjustments applied to Tier 2 capital	-	-
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-	
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-	
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-	
iii	of which: Investments in own CET1 capital instruments	-	

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-	
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
57	Total regulatory deductions to Tier 2 capital	-	
58	Tier 2 capital	-	
59	Total capital (Total capital = Tier 1 + Tier 2)	534,846	
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment		
i	of which: Mortgage servicing rights	-	
ii	of which: Defined benefit pension fund net assets	-	
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-	
iv	of which: Capital investment in a connected company which is a commercial entity	-	
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
60	Total risk weighted assets	328,020	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	163.05%	
62	Tier 1 capital ratio	163.05%	
63	Total capital ratio	163.05%	

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64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	5.96%	
65	<i>of which: capital conservation buffer requirement</i>	1.25%	
66	<i>of which: bank specific countercyclical buffer requirement</i>	0.21%	
67	<i>of which: G-SIB or D-SIB buffer requirement</i>	0.00%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	153.59%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable	
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	-	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	-	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	-	
Capital instruments subject to phase-out arrangements			

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80	<i>Current cap on CET1 capital instruments subject to phase out arrangements</i>	Not applicable		
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable		
82	<i>Current cap on AT1 capital instruments subject to phase out arrangements</i>	-		
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-		
84	<i>Current cap on Tier 2 capital instruments subject to phase out arrangements</i>	-		
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-		

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

3. Composition of Capital (Continued)

3.3 Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories

In US\$ '000'	As at 31 December 2017							
	Carrying values as reported in published financial statements	Carrying values of regulatory exposures	Carrying values of items:					not subject to capital requirements or subject to deduction from capital
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework		
Assets								
Cash and balances at central banks	451,529	451,529	451,529	-	-	-	-	
Financial assets at fair value through profit or loss	92,945	92,945	-	-	-	92,945	-	
Derivative financial instruments	752	752	-	752	-	752	-	
Investment in subsidiary	12,971	12,971	12,971	-	-	-	-	
Amount due from intermediate holding company	705	705	705	-	-	-	-	
Amount due from affiliates	78,411	78,411	78,411	-	-	-	-	
Current income tax assets	186	186	186	-	-	-	-	
Deferred income tax assets	145	145	-	-	-	-	145	
Other assets	671	671	671	-	-	-	-	
Total assets	638,315	638,315	544,473	752	-	93,697	145	
Liabilities								
Deposits and balances from banks	27,064	27,064	-	-	-	-	-	
Financial liabilities held for trading	56,459	56,459	-	-	-	56,459	-	
Derivative financial instruments	837	837	-	837	-	837	-	
Amount due to intermediate holding company	1,482	1,482	-	-	-	-	-	
Amount due to affiliates	14,357	14,357	-	-	-	-	-	
Current income tax liabilities	-	-	-	-	-	-	-	
Deferred income tax liabilities	-	-	-	-	-	-	-	
Other liabilities	3,124	3,124	-	-	-	-	-	
Total liabilities	103,323	103,323	-	837	-	57,296	-	

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

3. Composition of Capital (Continued)

The above table shows the mapping of financial statement categories with regulatory risk categories; the amounts shown in the column “Carrying values under scope of regulatory exposure” do not equal to the sum of the amounts shown in the remaining columns for “Derivatives financial instruments” as it is subjected to regulatory capital charges in counterparty credit risk and market risk categories.

3.4 Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements

In US\$ 000'	(a)	(b)	(c)	(d)	(e)
	Total	Items subject to:			
		credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1 Assets carrying value	638,315	544,473	-	752	93,020
2 Liabilities carrying value	(103,323)	-	-	837	57,296
3 Total net value	534,992	544,473	-	1,589	150,316
4 Off-balance sheet	133,000	-	-	1,330	-
5 Exposure amounts considered for regulatory purposes	667,992	544,473	-	2,919	150,316

Explanations of differences between accounting and regulatory exposure amounts

The key differences between regulatory exposure amounts and accounting carrying value is the potential future exposures arises from derivatives.

3.5 Main Features of Capital instruments

The following is a summary of main features of the Company’s issued Common Equity Tier 1 (“CET1”) capital instrument outstanding as at 31 December 2017.

*On 1 August 2017, the Company’s immediate holding company, Bank America International Financial Corporation, transferred and contributed its shares in BA Australia Limited of US\$271,442,000 to the Company.

The Company did not have Additional Tier 1 or Tier 2 capital instruments as of 31 December 2017.

1	Issuer	Banc of America Securities Asia Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	BBG002Y21XT8
3	Governing law(s) of the instrument	Hong Kong Law

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	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	USD 491mil*
9	Par value of instrument	NA
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 22,1973
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Discretionary dividend amount
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	No
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

*On 1 August 2017, the Company's immediate holding company, BankAmerica International Financial Corporation, transferred and contributed its shares in BA Australia Limited of US\$271,442,000 to the Company.

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4. Leverage Ratio

The capital and total exposure measure used in the calculation of the leverage ratio is summarised as follows:

	As at 31 December 2017 US\$'000	As at 31 December 2016 US\$'000
Tier 1 capital	534,846	264,485
Total exposures measure	639,693	266,429
Leverage ratio	83.61%	99.27%

The following is a breakdown of the Company's leverage ratio exposure measures as at 31 December 2017:

	Item	Leverage ratio framework US\$'000
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	637,563
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	637,563
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	800
5	Add-on amounts for PFE associated with all derivatives transactions	1,330
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts)	-
8	Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts)	-
11	Total derivative exposures (sum of lines 4 to 10)	2,130
Securities financing transaction exposures		
	Item	Leverage ratio framework US\$'000
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts)	-

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14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	-
18	Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts)	-
19	Off-balance sheet items (sum of lines 17 and 18)	-
Capital and total exposures		
20	Tier 1 capital	534,846
21	Total exposures (sum of lines 3, 11, 16 and 19)	639,693
Leverage ratio		
22	Basel III leverage ratio	83.61%

The following is the reconciliation between the Company's condensed balance sheet to leverage ratio exposure measures as at 31 December 2017:

	Item	Leverage ratio framework US\$'000
1	Total consolidated assets as per published financial statements	637,563
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	2,130
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
7	Other adjustments	-
8	Leverage ratio exposure	639,693

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

5. Risk Management Approach

BASAL has adopted the risk philosophy, processes and controls of BAC, including the Risk Framework and Risk Appetite Statement. Bank of America's risk management approach is appropriate given the Company's size, complexity, structure, activities and risk profile. The following are the five components of our risk management approach:

- **Risk culture:** A culture that instills the importance of managing risk well, ensures appropriate focus on risk in all activities and that risk is everyone's responsibility. It encourages the necessary mindset and behavior to enable effective risk management and promote sound risk-taking within our risk appetite. Our culture requires that risks are promptly identified, escalated and debated, thereby benefiting the overall performance of the Company.
- **Risk appetite:** The Company's risk appetite statement defines the types and levels of risk the Company is willing to take to achieve its objectives. It includes qualitative statements and quantitative measures, as appropriate.
- **Risk governance:** Our risk governance framework serves as the foundation for the comprehensive management of risks facing the Company. It outlines, among other things, clear ownership and accountability for managing risk across three lines of defense: front line units, independent risk management and Corporate Audit.
- **Risk data aggregation and reporting:** Effective risk reporting provides a clear understanding of our risk profile. We leverage our data and management information systems to achieve transparency and generate actionable insights.
- **Risk management processes.** Sound risk management includes processes to effectively identify, measure, monitor and control risk. Risk management is both an essential component of our daily business activities and an integral part of our strategic, capital and financial planning processes. BAC employs a simple but effective risk management process, referred to as IMMC: Identify, Measure, Monitor and Control.

The risk appetite statement indicates the amount of capital, earnings or liquidity we are willing to put at risk to achieve our strategic objectives and business plans, consistent with applicable regulatory requirements. The risk appetite statements ensure that the Company maintains an acceptable risk profile that is in alignment with our strategic and capital plans. Risk appetite statements provide a common framework and a comparable set of measures for senior management and the boards of directors to clearly indicate the level of risk the Company is willing to accept. The risk appetite statements include both quantitative limits and qualitative components that are reviewed and approved by the respective boards of directors at least annually.

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

5. Risk Management Approach (Continued)

The Risk Appetite Statement is rooted in several principles:

- **Overall risk capacity:** BAC's overall capacity to take risk is limited; therefore, it prioritizes the risks it takes. Our risk capacity informs our risk appetite, which is the level and types of risk we are willing to take to achieve our business objectives.
- **Financial strength to absorb risk:** BAC must maintain a strong and flexible financial position so it can weather challenging economic times and take advantage of growth opportunities. Therefore, BAC sets objectives and targets for capital and liquidity, that will permit the Company to continue to operate in a safe and sound manner at all times, including under stressed market conditions.
- **Risk-reward equation:** Risks taken must fit BAC's risk appetite and offer acceptable risk-adjusted returns for shareholders.
- **Acceptable risks:** We consider all types of risk including those that are difficult to quantify. Qualitative guidance within the risk appetite statements describes our approach to managing such risks in a manner consistent with our risk culture. For example, actions considered in a line of business that unduly threaten the Company's reputation should be escalated and restricted appropriately.
- **Skills and capabilities:** BAC seeks to only assume risks that it can identify, measure, monitor and control.

The risk appetite statements quantitative framework is designed to articulate the risks we are willing to take and limit excessive risk taking. It is comprised of limits indicating the amount of risk we are willing to take and metrics showing risk levels across legal entities and lines of business. Risk Appetite metrics are expressed on an in-year and forward-looking basis, as appropriate, under normal and stressed macroeconomic conditions. In addition, we maintain risk appetite metrics and limits related to material concentrations to ensure appropriate visibility into risks that may manifest themselves across lines of business or risk types as part of our ongoing efforts to ensure concentrations are effectively identified, measured, monitored and controlled.

Robust monitoring and reporting processes for limits are in place, with limit breaches triggering appropriate notification and escalation based on the severity of the breach as defined by magnitude or frequency. Breach remediation plans include a written description of the root cause, how a breach will be resolved and the timeline for remediation. Management and committees of the boards of directors monitor risk metrics relative to risk appetite limits and take action as necessary to proactively and effectively manage risk.

Integration with strategic, capital and financial operating plans and other processes:

Risk appetite is set at least annually in conjunction with the strategic, capital, and financial operating plans to ensure risk appetite is consistent with BAC's strategy and financial resources. Line of business strategies and risk appetite are also aligned. Ongoing reporting shows performance against the strategic plan, as well as risk appetite breaches for each of the lines of business. Risk appetite is also considered within the New Product Review and Approval Policy and processes, within decisions around acquisitions and divestitures, if any, and as part of compensation and performance management decisions.

The Company's Risk Appetite Statement encompasses the seven risk types described in the Risk Framework.

The risk appetite structure is comprised of qualitative narrative statements and a framework of quantitative metrics and limits.

The qualitative narrative statements describe BAC's appetite for risk and establish the tone and structure for line of business and subsidiary legal entity risk appetite:

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

5. Risk Management Approach (Continued)

Risk Type	Risk Appetite Qualitative Summary Statements
Strategic	We evaluate our capacity for risk and seek to protect our brand and reputation, our financial strength and flexibility, the value of our assets and the strategic potential of the Company.
Credit	We maintain prudent underwriting standards with a focus on client selection that allows us to deliver for customers and shareholders throughout the credit cycle.
Market	We manage our sensitivity to changes in interest rates and market prices in order to deliver for customers and shareholders at all times, including during times of volatility and stress.
Liquidity	We ensure that Bank of America can meet expected or unexpected cash flow and collateral needs under a range of economic conditions.
Operational	We manage operational risk to an overall residual risk level of moderate across the company and within each business by striving for operational excellence in everything that we do.
Compliance	We have no tolerance for compliance breaches. While minor breaches may occur from time to time due to the scope of our business, there is no excuse for substantive breaches at any time.
Reputational	We manage and control situations that could negatively impact our reputation and brand. When reputational risk arises, we aggressively manage it to preserve our brand and reputation.

BASAL's risk appetite is heavily influenced and evidenced by our client selection criteria, which results in a high quality portfolio mostly comprising multinational corporate clients, strong domestic and foreign financial institutions, and strong local corporate clients. As a result, the Branch does not currently focus on retail and consumer clients, small to medium sized enterprises, project finance, or real estate, which tend to carry higher levels of credit and other risks.

BASAL's client selection criteria consist of the following characteristics:

1. Global Multinational and Asian indigenous companies which maintain a significant global strategic and operating footprint or whose cross border business flows leave us well positioned as a provider of operating, treasury, risk management, and advisory solutions.
2. Companies with sophisticated corporate treasury and financing requirements, including the need to raise capital, in either public or private markets in capital markets covered by BAC, or hedging.
3. Companies who are leaders in the industries that they operate and require multiple product offerings and financial solutions.
4. Companies either currently or likely to be investors in or acquirers of offshore financial or strategic assets.

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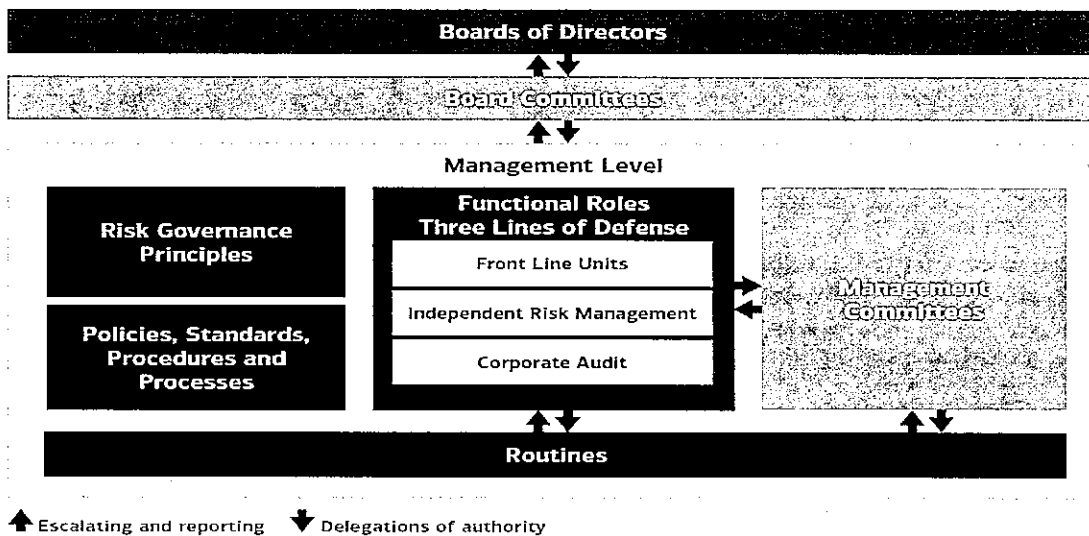
SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

5. Risk Management Approach (Continued)

Our business will generally remain focused on the upper quartile of the corporate sector, as measured either by market capitalization, revenue mix, market share, or governance and disclosure practices. Our client base will also include government, quasi-government, and “national champions” whose economic or political significance in the domestic economy provide certain competitive advantages and implied government support or sponsorship. Bank and non-bank financial institutions client selection guideline is also based on FI’s financial strengths, risk/ return criteria, and market position & size.

BASAL adheres to a risk governance framework that is designed by independent risk management and approved by the boards of directors of BAC and the Covered Banks. The risk governance framework includes delegations of authority from appropriate boards of directors or board committees to management committees and executive officers as well as risk limits established for material activities to ensure the Company (including the Covered Banks) operates within risk appetite.

Bank of America’s risk governance framework links multiple components to provide strong risk governance



Bank of America’s Risk Framework is reviewed at least annually by appropriate board-level committees, approved by the ERCs and then recommended by the ERCs of BAC and the Covered Banks for approval. Any off-cycle changes to the Risk Framework deemed to be significant by the CRO must be reviewed by appropriate board-level committees, approved by the ERCs and then recommended by the ERCs to the respective boards of directors for approval. Immaterial changes (e.g. corrections, name changes) may be approved by the CRO with no subsequent reporting to the boards of directors and their committees.

As part of their oversight responsibilities, the respective boards of directors of BAC and the Covered Banks and their committees exercise sound independent judgment to actively oversee risk-taking activities and hold management accountable for adhering to the Risk Framework. The boards of directors conduct an annual self-assessment that includes an evaluation of their effectiveness in meeting the requirements of the Risk Framework. Any changes in governance approved by the boards of directors may be reflected in an updated version of the Risk Framework without additional approval of the Risk Framework by the board of directors.

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

5. Risk Management Approach (Continued)

Effective risk data management, aggregation and reporting are critical to provide a clear understanding of current and emerging risks, as well as how these risks align with overall risk appetite and ability to quickly and effectively act upon them. BAC achieve transparency in risk reporting by understanding the current risk profile; leveraging data, information and analytics; and by reporting actionable insights and recommendations to appropriate levels of the Company.

Reporting risk information and analysis to employees, senior management, the boards of directors and their committees is a central component of managing risk well.

Key objectives of our risk reporting efforts include:

- Timely and actionable reporting – Reports that are accurate and comprehensive and provided with the appropriate frequency to enable us to manage all material current and emerging risks and changing business needs, at all times.
- Differentiation by audience – Reports that are tailored to meet the needs of their recipients and contain the information needed to enable effective decision-making.

6. Overview of Risk Weighted Assets

The table below provides breakdown of RWA and the corresponding minimum capital requirements (i.e. 8% of RWA) of the Company.

		(a)	(b)	(c)
		RWA USD'000		Minimum capital requirements USD'000
		As at 31 December 2017	As at 30 September 2017	As at 31 December 2017
1	Credit risk for non-securitization exposures	162,380	176,663	12,990
2	Of which STC approach	162,380	176,663	12,990
2a	Of which BSC approach	-	-	-
3	Of which IRB approach	-	-	-
4	Counterparty credit risk	1,447	897	116
5	Of which SA-CCR	-	-	-
5a	Of which CEM	1,065	617	85
6	Of which IMM(CCR) approach	-	-	-
7	Equity exposures in banking book under the market-based approach	-	-	-
8	CIS exposures – LTA	-	-	-
9	CIS exposures – MBA	-	-	-
10	CIS exposures – FBA	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-

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		(a)	(b)	(c)
		RWA USD'000		Minimum capital requirements USD'000
		As at 31 December 2017	As at 30 September 2017	As at 31 December 2017
13	Of which IRB(S) approach – ratings-based method	-	-	-
14	Of which IRB(S) approach – supervisory formula method	-	-	-
15	Of which STC(S) approach	-	-	-
16	Market risk	160,458	8,629	12,837
17	Of which STM approach	160,458	8,629	12,837
18	Of which IMM approach	-	-	-
19	Operational risk	3,735	2,522	299
20	Of which BIA approach	3,735	2,522	299
21	Of which STO approach	-	-	-
21a	Of which ASA approach	-	-	-
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)	32,428	32,428	2,594
24	Capital floor adjustment	-	-	-
24a	Deduction to RWA	-	-	-
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
25	Total	360,448	188,711	28,836

N/A: Not applicable in the case of Hong Kong

7. Credit Risk

7.1 Qualitative Disclosures

(a) General Information Disclosures

Credit risk in BASAL primarily arises from its trading activities:

- Holding of debt securities issued by government, corporates or financial institutes
- Counterparty credit risk exposures arising from FX and interest rate hedging activities (traded internally via OTC or exchange traded platform)
- Due from placements or repo transactions with financial institutions

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7. Credit Risk (Continued)

Credit risk arising from holding of debt securities are approved based on grid limits subject to any statutory large exposure limit and concentration limit approved by the Board for exempt exposures from time to time.

BASAL will be required to comply with these BASAL Grid Limits as well as the Global Issuer Grid Limits under the Core Credit Policy, which may be more restrictive.

BAC manages credit risk within its risk appetite utilizing three processes:

- **Credit strategy and origination.** To align each credit decision with our strategic goals, BAC has established a comprehensive credit risk strategy and developed credit processes to provide for the efficient execution of that strategy. This strategy enables the setting and enforcement of different limits by business, segment, country or risk type at origination so that actual risk exposures are maintained within approved risk tolerances.
- **Credit portfolio management.** Once credit has been extended, processes are in place to monitor credit risk exposures at both the individual and portfolio levels, as well as to actively manage the portfolio to achieve desired risk and return goals.
- **Loss mitigation.** At times, our borrowers and counterparties do not fulfil their obligations and we must take steps to mitigate and manage our losses. We have stringent processes to appropriately handle nonperforming loans

Given the approved product scope of BASAL, the focus of credit risk management is on issuer risk arisen from bond trading, corporate debt, credit default swaps and other credit derivatives. Issuer risk exposure measures the value of securities held via trading activities or balance sheet management activities. Exposure is typically calculated daily at fair market value on an aggregate basis per issuer. Net long positions are managed against the issuer risk limit.

BASAL Grid Limits specifying maximum issuer risk exposures for BASAL on certain sovereigns, investment grade and non-investment grade names are set up and monitored by Global Market Risk Management – Asia (“GMRM Asia”). BASAL will be required to comply with these BASAL Grid Limits as well as the Global Issuer Grid Limits under the Core Credit Policy, which may be more restrictive.

(b) Credit Risk Mitigation

At 31 December 2017, the Company did not apply credit risk mitigation technique for credit risk capital calculation.

(c) Use of ECAI ratings

BASAL calculates credit risk by using STC approach.

The risk-weight for an exposure is determined based on ECAI ratings assigned by external credit assessment institutions (ECAIs) recognized by the HKMA. Each of the six ECAI ratings based portfolios has its own risk-weighting framework under which risk-weights are mapped to a scale of Credit Quality Grades represented by the numerals 1 to 5 or 1 to 6, as the case may be.

ECAIs recognized by the HKMA and used by BASAL are Standard & Poor’s Rating Services (S&P), Moody’s Investors Service (Moody’s) and Fitch Ratings (Fitch). BASAL nominate for each of the ECAI ratings based portfolios, one or more than one ECAI the credit assessment ratings issued by which will be used for the purposes of deriving risk-weights for the exposures in the ECAI ratings based portfolios.

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7. Credit Risk (Continued)

The ECAI(s) nominated for an ECAI ratings based portfolio should (taken collectively if more than one ECAI is nominated) issue a range of credit assessment ratings which provides a reasonable coverage to the counterparties and the geographical regions in relation to the exposures falling within that portfolio. BASAL use the ratings of the nominated ECAI(s) within each of the portfolios consistently.

7.2 Quantitative Disclosures

The Company uses the standardised approach for calculation of credit risk.

At 31 December 2017, the Company did not have any loans, debt securities and off-balance sheet exposures for subjected to credit risk capital.

(a) Credit risk exposures and effects of recognized credit risk mitigation –STC approach

As at 31 December 2017		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure classes		US\$'000				US\$'000	(%)
1	Sovereign exposures	186	-	186	-	-	-
2	PSE exposures	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	452,234	1,108	452,234	1,108	129,845	29
5	Securities firm exposures	1,296	1,022	1,296	1,022	1,159	50
6	Corporate exposures	-	-	-	-	-	-
7	CIS exposures	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	8	-	8	-	12	150
10	Regulatory retail exposures	-	-	-	-	-	-
11	Residential mortgage loans	-	-	-	-	-	-
12	Other exposures which are not past due exposures	12,971	-	12,971	-	32,428	250
13	Past due exposures	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	Total	466,696	2,130	466,696	2,130	163,445	35

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7. Credit Risk (Continued)

(b) Credit risk exposures by asset classes and by risk weights – for STC approach

As at 31 December 2017												
Exposure class	Risk Weight	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
US\$'000												
1	Sovereign exposures	186	-	-	-	-	-	-	-	-	-	186
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	322,753	-	130,590	-	-	-	-	-	453,343
5	Securities firm exposures	-	-	-	-	2,318	-	-	-	-	-	2,318
6	Corporate exposures	-	-	-	-	-	-	-	-	-	-	-
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	7	-	-	1	8
10	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	12,971	-	12,971
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	186	-	322,753	-	132,908	-	7	-	12,971	1	468,826

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8. Counterparty Credit Risk

8.1 Qualitative Disclosures related to Counterparty Credit Risk

Counterparty Credit Risk is defined as the risk that a counterparty could default before the final settlement of the cash flows of derivatives or securities financing transactions.

Pre-settlement credit risk for traded products arising from a counterparty potentially defaulting on its obligations is quantified by evaluation of the market price, plus potential future exposure.

Issuer default risk that may also arise from derivatives, notes and securities are generally measured based on jump-to-default computations.

BASAL is governed by the HK Banking Ordinance and BAC's Global Core Credit Policy which actively manages concentrations in relation to the credit risk it undertakes by placing limits on the amount of risk accepted. Limits are reviewed annually or more frequently when considered necessary. Actual exposures against limits are monitored regularly. In addition, BASAL must comply with HKMA's large exposure limits in relation to non-exempt exposures. A cluster limit is also set up and approved by the Board from time to time.

Country Limits

- ▶ Country Limits set the maximum amount of exposure which BAC is willing to take in each country outside the United States where it conducts or intends to conduct business. These limits reflect a balancing of several considerations including the country's risk rating, BAC's Risk Appetite, the business strategy guiding BAC's activities in the country, and the desire to support the business needs of its customers.
- ▶ Country Limits are reviewed and approved annually by the Regional Risk Committee ("RRC") and the Country Risk Committee ("CRC"). The Country Risk Group facilitates the annual review of limits and presents annual limit recommendations to the RRC and CRC for approval.

BASAL has no guarantees and other forms of credit risk mitigation.

Given the approved product scope of BASAL, the focus of credit risk management is on issuer risk arisen from bond trading, corporate debt, credit default swaps and other credit derivatives. Issuer risk exposure measures the value of securities held via trading activities or balance sheet management activities. Exposure is typically calculated daily at fair market value on an aggregate basis per issuer. Net long positions are managed against the issuer risk limit.

BASAL Grid Limits specifying maximum issuer risk exposures for BASAL on certain sovereigns, investment grade and non-investment grade names are set up and monitored by Global Market Risk Management – Asia ("GMRM Asia"). BASAL will be required to comply with these BASAL Grid Limits as well as the Global Issuer Grid Limits under the Core Credit Policy, which may be more restrictive.

8.2 Quantitative Disclosures

(a) Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

	(a)	(b)	(c)	(d)	(e)	(f)
	Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
As at 31 December 2017	US\$'000					

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		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	-	2,130		N/A	2,130	1,065
1a	CEM	-	-		-	-	-
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						1,065

Before SA-CCR comes into effect, the current exposure method (CEM) is used for calculating default risk exposures of derivative contracts.

(b) CVA capital charge

		(a)	(b)
		EAD post CRM	RWA
As at 31 December 2017		US\$'000	
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	2,130	382
4	Total	2,130	382

(c) Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – STC approach

As at 31 December 2017												
		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
Exposure class \ Risk Weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-

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As at 31 December 2017												
Exposure class	Risk Weight	(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	-	-	1,108	-	-	-	-	-	1,108
5	Securities firm exposures	-	-	-	-	1,022	-	-	-	-	-	1,022
6	Corporate exposures	-	-	-	-	-	-	-	-	-	-	-
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	-	-	2,130	-	-	-	-	-	2,130

(d) Composition of collateral for counterparty default risk exposures (including those or contracts or transactions cleared through CCPs)

At 31 December 2017, the Company did not have any composition of collateral for counterparty default risk exposures.

(e) Credit-related derivatives contracts

At 31 December 2017, the Company did not have any credit-related derivatives contracts.

(f) Exposures to CCPs

At 31 December 2017, the Company did not have any exposures as clearing member or client to qualifying and non-qualifying CCPs.

9. Securitization Exposures

At 31 December 2017, the Company did not have any Securitization Exposures.

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10. Market Risk

10.1 Qualitative Disclosure

Market risk is the risk that changes in market conditions may adversely impact the value of asset or liabilities or otherwise negatively impact earnings. Market risk is inherent in the financial instruments associated with the operations and activities engaged by BASAL and its market risk exposures emanates primarily from its Global Markets business.

Key market risk exposures are assessed at both specific and aggregate levels. At the specific level, market risk sensitivities are assessed by evaluating the impact of individual risk factors such as interest rates and foreign exchange. At the aggregate level, market risk is assessed using two key measures, which are Value-at-Risk ("VaR") and Bi-Weekly Maximum Observed Loss ("MoL").

VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables, during a given holding period, measured at a specified confidence level. The Entity uses historical simulation approach for VaR and it is calculated over a one-day holding period at a 99% confidence level, using three years of historical data. The performance of VaR model is monitored through daily back-testing and is performed at both Entity and Line of Business (LoB) level. MOL is the potential market value loss on a portfolio over a 10-day holding period using historical data with start date anchored to January 1st, 2007.

VaR and MOL measurements are supplemented with stress tests that are conducted on periodic basis as per a well laid out stress testing framework. The stress tests are designed to highlight exposures to unlikely but plausible events or extremely volatile conditions, both hypothetically and historically.

Market risk of the Entity is primarily managed through establishing and monitoring limits. Approved limits are stored and tracked in a centralized Limits Management System (LMS) to ensure appropriate controls are in place and complete audit trails are maintained. Limit excesses, temporary, and permanent limit changes are communicated to Senior Management, as well as to relevant forum such as the OpCo, where applicable. We also produce regular reports on our exposures, including VaR, Bi-weekly MOL, stress testing, and risk sensitivities. These reports are distributed to the senior management on a periodic basis.

The Market Risk function is independent of the Business and is guided by well laid down policies, guidelines, processes and systems for the identification, measurement, monitoring and reporting of exposures against various risk limits set in accordance with the risk appetite of the bank.

FICC and CFO Market Risk are managed by onshore personnel based in Hong Kong. The FICC and CFO LoB Market Risk managers are accountable to the BASAL Chief Risk Officer (CRO).

10.2 Quantitative Disclosure

Market Risk under Standardized Approach

		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	160,392
2	Equity exposures (general and specific risk)	
3	Foreign exchange (including gold) exposures	66
4	Commodity exposures	
	Option exposures	
5	Simplified approach	
6	Delta-plus approach	

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		(a)
		RWA
7	Other approach	
8	Securitization exposures	
9	Total	160,458

11. Operational Risk

The Company has adopted the Basel Committee definition of operational risk. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events:

- Process risk is the risk that a predetermined process necessary to conduct business does not function properly or leads to undesired results;
- People risk is the risk that business objectives will not be met due to human resource deficiencies (e.g., inadequate staffing numbers);
- Systems risk is the risk that arises from systems and/or tools that are deficient, unstable or overly complex for the intended user and are key to conducting the Company's activities;
- External events risk is the risk that arises from factors outside of the Company's span of control.

An operational loss event can be associated with any of the following seven Basel II operational loss event categories: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; business disruption and system failures and execution, delivery and process management.

Operational risk is inherent in every activity across the Company, it is responsibility of all employees to contribute to an effective internal control environment and manage operational risk within their roles. Operational risk is managed by designing and implementing internal controls to identify, measure, monitor and control risks. The implementation of quality assurance and quality controls within high-risk processes provides for a consistent approach in the execution of business controls and the ability to benchmark the effectiveness and efficiency of controls that are common across multiple business processes.

Operational risk is managed by all employees as part of our day-to-day activities. Front line units and control functions own operational risk and are responsible for monitoring, assessing and testing the effectiveness of controls, while continuing to identify, escalate, debate and report operational risks. Front line units / control functions may have business oversight or control teams that support business leaders in the implementation of the program.

The Operational Risk management function at Bank of America (BAC) is independent of front line unit / control function, and consists of:

- The Corporate Operational Risk (COR) team, which is responsible for designing the program and overseeing its implementation and execution in accordance with the Policy and its supporting Standards;
- Operational Risk Teams which are responsible for objectively assessing, challenging and advising the front line units / control functions on operational risk.

Operational risk management is the responsibility of all Bank of America employees through the continual identification, escalation and debate of operational risks and control related issues.

The key roles to facilitate and support the implementation of Enterprise Policy are outlined below. These roles and accountabilities should be read in conjunction with the specific requirements within policies, with further detail in the supporting Standards:

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11. Operational Risk (Continued)

Front Line Units / Control Functions – Own Operational Risk

- Identify their business processes and the related risks and controls
- Understand the laws, rules, regulations and internal policies applicable to their business activities
- Measure, monitor and report on the effectiveness of the control environment
- Identify Issues, Risks and Control Enhancements and taking timely action to remediate control gaps and mitigate risks
- Identify, assess, and mitigate operational risk
- Aggregate and escalate operational risk within front line units / control functions
- Oversee that employees complete required operational risk training

Operational Risk Teams - Objectively Assess, Challenge and advice on Operational Risk

- Assess and advise on front line unit / control function implementation of the program
- Execute the Coverage Plan to assess, monitor, and test the effectiveness of the operational risk controls
- Challenge operational risks and controls
- Aggregate and escalate operational risk in accordance with established criteria
- Work with the front line units / control functions on a consultative, regular basis to manage and mitigate operational risk

Corporate Operational Risk – Define the program, oversee its implementation and assess and report on the Enterprise Operational Risk Profile

- Define the program and enterprise governance for operational risk management
- Execute Company-wide (i.e., COR-owned) processes and provide infrastructure required to support the implementation of the program
- Oversee adherence to Policy and Standard requirements by front line units / control functions and Operational Risk Teams Conduct reporting and analytics to support the aggregation and reporting of risk data to enterprise governance committees
- Build and deliver Company-wide training to support the implementation of the program and monitor training completion

12. Interest Rate Risk in the Banking Book

IRRBB represents exposure to adverse movements in interest rates. When this risk grows to be excessive, a significant threat is posed to both earnings and the value of equity.

BASAL does not have any proprietary trading limits or positions. Funding, as well as hedging of interest rate risk, is provided by International Treasury.

BASAL has very limited IRRBB and this is subject to market risk limits that are monitored by TCF Market Risk in Asia. Given the controls in place and limited IRRBB at the Branch, no additional capital is required to be held for IRRBB under business-as-usual conditions.

13. Corporate Governance

Corporate governance is a system by which business entities are directed, supervised, monitored and controlled. The corporate governance structure specifies the interaction of rights and responsibilities among the shareholders, Board of Directors, officers, senior management and other stakeholders, and sets forth the rules, policies, procedures and guidelines for making decisions on corporate affairs. The corporate governance structure of the Company met the relevant requirements set out in the guideline on “Corporate Governance of Locally Incorporated Authorised Institutions” under the Supervisory Policy Manual issued by HKMA.

As at 31st December 2017, the Board of Directors of the Company comprises of four officers from business and control functions including executive business management, finance and risk management. Appointment to the directorships must be approved by the Board and HKMA.

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13. Corporate Governance (Continued)

In addition to the Board of Directors, the businesses and affairs of the Company are also monitored by the following governance framework:

Country Leadership Team

Bank of America Corporation's operations in the Asia Pacific region are managed by a Country Leadership Team ("CLT") in each jurisdiction with membership generally comprised of the Country Executive, Country Operating Officer, Risk, Compliance, Finance, HR and Representatives from Local Lines of Business and other Enterprise Control Functions. The CLT is chaired by the Country Executive.

Country governance and control is managed by the Country Executive and the CLT and connects at the regional level through the Regional President and the Regional Executive Committee ("APAC ExCo"). Issues and agenda items at a country level are brought to the APAC ExCo for resolution.

The management of BASAL is accountable to the Hong Kong CLT. The Chief Executive's office will ensure that any material issues and/or changes in operational or reputational risk profile identified are promptly escalated and reported to the Hong Kong CLT.

Asia Risk Forum

Asia Risk Forum is responsible for reviewing and approving New Business Initiatives, New Products and Non-Standard Transactions.

The Risk Forums are coordinated and chaired by the relevant representative from Risk Management or their designate. Their membership consists at the minimum of local representatives from the relevant support groups such as: Compliance, Legal, Risk Management, Finance, Tax, Technology, Middle Office, Operations, Corporate Treasury and Audit (as non-voting member), as well as the relevant business units. The Risk Forum chair may require other areas to attend the meeting at his discretion (i.e. Model Validation, Accounting Policy, etc.)

Audit Committee

The Company does not have its own Audit Committee, but its internal and external audit functions are subject to the direct supervision of the Audit Committee of BAC.

The Board of Directors of the Company has adopted the same risk management philosophies and control procedures that are established by BAC and has designed a corporate governance structure to monitor different risks of the business.

Remuneration system

The following information sets forth the remuneration disclosures required under Section 3 of the Guideline on a Sound Remuneration System (CG-5) issued by the Hong Kong Monetary Authority ("HKMA") in March 2015 (the "Guideline"), to reflect the Pillar 3 requirements for remuneration disclosure published by the Basel Committee on Banking Supervision, July 2011. The information relates to the incentive compensation programs operated in respect of performance year 2017 by Bank of America Corporation ("Bank of America" or the "Company"). Annex A of the Guideline outlines the qualitative remuneration disclosure requirements under paragraphs (a) to (f) as exhibited in the following information. The quantitative remuneration disclosures required under paragraphs (g) to (m) of Annex A in respect of Bank of America operations in Hong Kong appear after this section.

The disclosures relate to employees located in Hong Kong providing service to Banc of America Securities Asia Limited, including senior management and Key Personnel as defined in Section 2 of the Guideline.

The Company applies prudent risk management practices to its incentive compensation programs across the enterprise and is committed to a compensation governance structure that effectively contributes to its overall risk management policies.

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13. Corporate Governance (Continued)

In order to provide an appropriate balance of risk and reward, incentive compensation plans are developed in accordance with the Company's Global Compensation Principles:

Principle 1. Compensation should be comprised of an appropriate mix of salary, benefits and incentives paid over time that properly aligns employee and stockholder interests.

Principle 2. Criteria for payment of incentive compensation should take into account Company-wide, business unit and individual factors.

Principle 3. Compensation should be determined on the basis of a combination of financial and non-financial factors that reflect both the current period and a longer period.

Principle 4. Compensation programs should incorporate appropriate governance processes and procedures.

These principles work in conjunction with broader compensation practices, including the Company's overall commitment to pay for performance, remuneration policies and risk management processes set forth in the Company's Risk Framework and Risk Appetite.

Governance and the Decision-making Process for Determining the Remuneration Policy

The Company applies its compensation policy on a global basis and has four primary levels for the governance of incentive compensation plans:

- (i) the Board of Directors (the "Board")
- (ii) the Board of Directors Compensation and Benefits Committee (the "Committee"), which is wholly made up of independent directors and functions as the Company's global Remuneration Committee
- (iii) the Management Compensation Committee ("MCC"), and
- (iv) governance by line of business management and independent control functions aligned to the line of business and regional governance.

The Committee oversees the establishment, maintenance and administration of the Company's compensation programs and employee benefit plans, including approving and recommending the compensation of the direct reports of the Chief Executive Officer (the "CEO") and approving and recommending the compensation of the CEO to the Board for its further approval. Under supervision of the Committee, oversight, review and responsibility for remuneration decision-making is allocated to the appropriate level of the Company's structure so that the most relevant level of management makes remuneration decisions with documented input from the Company's independent control functions.

The Committee has adopted and annually reviews (most recently in July 2017) the Bank of America Compensation Governance Policy ("CGP") to govern incentive compensation decisions and define the framework for design oversight of incentive compensation programs across the Company. The CGP is designed to be consistent with global regulatory initiatives so that the Company's incentive compensation plans do not encourage excessive risk-taking.

The Committee receives, from time to time, direct feedback from the independent control functions on compensation programs. For performance year 2017, in addition to reviewing the individual incentive compensation awards for executive officers and other senior executives who report directly to the CEO, the Committee also reviewed the outcomes of the Company's robust control function feedback process, conduct reviews and individual incentive compensation awards for certain highly compensated employees and material risk takers. As part of its governance routine, the Committee met with the Chief Risk Officer ("CRO") and business lines to discuss their feedback on the pay-for-performance process, including their experience managing risk and conduct matters. In addition, the Company's CRO also certifies all incentive plans across the Company as part of the MCC's governance process.

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

13. Corporate Governance (Continued)

As a result of these processes and reviews, and in combination with the risk management and clawback features of the Company's compensation programs, Bank of America believes that its compensation policies and practices appropriately balance risks and rewards in a way that does not encourage excessive or imprudent risk-taking or create risks that are reasonably likely to have a material adverse effect on the Company. Moreover, oversight by the Committee, MCC, independent control functions, and line of business management help the Company maintain a compensation program that is intended to mitigate the potential for conflicts of interests.

As authorized under its charter, the Committee has engaged Farient Advisors, LLC as its independent compensation consultant. The independent compensation consultant meets regularly with the Committee outside the presence of management and alone with the Committee chair, and also reviews management's incentive plan certifications with the Committee.

During performance year 2017, the Committee held ten (10) meetings. Additional information regarding the Committee is included in the annual Proxy Statement available on Bank of America's Investor Relations website.

The Link between Pay and Performance

The cornerstone of Bank of America's compensation philosophy across all lines of business is to pay for performance – Company, line of business and individual performance. Through the Company's Performance Management process, employees understand performance expectations for their role through ongoing dialogue with their manager. The Performance Management process is designed and monitored by the Leadership Development function in Human Resources. This process is reviewed periodically so that it meets the needs of managers to assess and communicate performance expectations. Throughout the year, employees receive coaching on their performance and ultimately receive a rating for their full year of performance based upon their achievement of goals for their job.

In addition, the Company does not remunerate or assess employees' performance in a way that encourages employees to act in a manner that conflicts with the duties owed to the Company's clients. Each employee's performance is assessed on quantitative and qualitative objectives as well as specific behaviors, and performance is factored into each employee's incentive compensation award. Depending on the employee, quantitative performance objectives may be focused on Company-wide, line of business, or product results. Qualitative performance objectives may include quality and sustainability of earnings, successful implementation of strategic initiatives, adoption of risk culture/adherence to risk framework and operating principles and other core values of the Company.

Employees receive two ratings – a Result rating (based on factors such as business performance) and a Behavior rating (based on factors such as conduct, broader contributions to the Company, leadership, teamwork, etc.). The scale for both ratings is Exceeds Expectations, Meets Expectations, and Does Not Meet Expectations. Both the Result and Behavior ratings are used in determining employees' compensation. As a result, an employee's compensation can be influenced not only by what the employee achieves, but how the employee achieves it and the employee may receive no variable award if performance is not sufficiently strong.

The Company's pay-for-performance program also requires that all employees complete annual mandatory risk and compliance training.

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

13. Corporate Governance (Continued)

Risk Management and Incentive Plans

Risk is inherent in every material business activity that the Company undertakes. The Company's business exposes it to strategic, credit, market, liquidity, compliance, operational and reputational risks. The Company must manage these risks to maximize its long-term results by ensuring the integrity of its assets and the quality of its earnings. To support the Company's corporate goals and objectives, risk appetite, and business and risk strategies, the Company maintains a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities, by management and the Company's Board.

Executive management develops for Board approval the Company's Risk Framework, which defines the accountability of the Company and its employees in managing risk; the Company's Risk Appetite Statement, which defines the parameters under which the Company will take risk; and the Company's strategic and financial operating plans. Management monitors, and the Board oversees directly and through its committees, the Company's financial performance, execution against the strategic and financial operating plans, compliance with the risk appetite metrics and the adequacy of internal controls.

The Company believes that prudent risk management practices are applied to its incentive remuneration programs across the enterprise. The Company continually evaluates the design of its remuneration programs in accordance with the risk framework. The Committee is committed to a compensation governance structure that effectively contributes to the Company's broader risk management policies.

The Company's incentive plans are designed to compensate employees based on their performance ratings for results against their individual performance plan and behaviors, as well as overall Company and line of business performance.

Incentive plan bonus pools are based on profit measures, which inherently recognize certain underlying risk factors and are further adjusted to reflect the use of capital associated with individual lines of business or products and/or the quality and sustainability of earnings over time. The determination of incentive plan bonus pools is also subject to management discretion which operates so proper account is taken of the performance of the overall Company, individual lines of business, products and other factors including the achievement of strategic objectives.

Incentive plan bonus pools may be adjusted to reflect long-term risk arising through line of business and product performance. These pools are tied to the overall performance, inclusive of risk, of Bank of America and/or specific lines of business or products, creating for employees a vested interest in profitable performance across the Company and its businesses.

Risk is also taken into account and managed in connection with the Company's incentive compensation programs through arrangements permitting performance adjustment of deferred variable compensation. Employees in positions where the greatest risk is being taken are subject to higher levels of deferral and potential performance adjustments.

The compensation of the independent control functions is determined independently from the line of business supported. The funding of the incentive pool for these employees is based upon overall Company performance with the actual employee awards determined based upon individual performance against predetermined objectives.

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

13. Corporate Governance (Continued)

Employee Pay

Bank of America compensates its employees using a balanced mix of fixed remuneration, annual cash incentives and deferred incentives (which are delivered in equity, equity-based instruments or cash). In general, the higher an employee's management level or amount of incentive compensation award, the greater the proportion of incentive compensation should be

- (i) subject to deferral and
- (ii) delivered in the form of equity-based compensation. The Company believes equity-based awards are the simplest, most direct way to align employee interests with those of its stockholders. A significant portion of incentive awards is provided as a deferred incentive that generally becomes earned and payable over a period of three years after grant and will be cancelled in case of detrimental conduct or (for certain risk-takers) failure of the Company, line of business or business unit (as applicable) to remain profitable during the vesting period. This approach serves two key objectives, which are to focus employees on long-term sustainable results and to subject compensation awards to risk over an appropriate time horizon that can be easily communicated and understood.

Key Personnel Identification and Pay

For performance year 2017, the Company operated an enterprise-wide approach in the identification of material risk takers, which has included determining where senior management and Key Personnel (or equivalent designations) are located. Senior management for the purposes of the Guideline are those employees "who are responsible for oversight of the [Company's] firm-wide strategy or activities or those of the [Company's] material business lines (including, by not limited to, executive directors, the chief executive and other senior executives)." Key Personnel include individual employees "whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the [Company or their local employing entity]." The Company considers that it applies its remuneration policies (including the determination of senior management and Key Personnel) in a way that is appropriate to the size, internal organization and the nature, scope and complexity of its activities in all the countries in which it operates.

Variable pay for Key Personnel for performance year 2017 consisted of a mixture of upfront payments and deferred payments. Deferred awards will be cancelled in the case of detrimental conduct or failure of the Company, line of business or business unit, as applicable, to remain profitable during the vesting period. If risks taken as part of approved business strategies do not result in sustainable profits, or if the employee fails to behave according to Company standards, the value of the deferred equity award may be impacted. The deferral rates for Key Personnel ranged from approximately 40%-60% of total variable compensation.

By combining deferred awards with the Company's malus and clawback provisions, the Company considers that it places a strong focus on sustainable long-term results and appropriate behaviors.

Quantitative Disclosures and Tables

The Committee held seven (7) meetings in 2016 and ten (10) meetings in 2017. The 2016 remuneration of the Committee members is disclosed in the 2017 Proxy statement available on Bank of America's Investor Relations website. 2017 remuneration of the Committee members will similarly be disclosed in the 2018 Proxy statement, to be available on or about 12 March 2018.

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

13. Corporate Governance (Continued)

Banc of America Securities Asia Limited is part of a broader organizational structure and did not have employees within the legal entity from December 2010 through performance year 2016. As such, the following disclosure tables contain the information required under paragraphs (h) to (m) of Annex A of the Guideline for performance year 2017 in respect of Banc of America Securities Asia Limited related to all employees, including Key Personnel, due to employee privacy concerns arising from the very small number of Key Personnel. There were no employees of the Banc of America Securities Asia Limited identified as senior management. Senior employees at Banc of America Securities Asia Limited have functional reporting lines to more senior Bank of America employees in other countries and/or legal entities who are covered by local and/or regional regulations and who are reported as senior management and/or Key Personnel equivalents in their respective countries.

- (a) Total amount of outstanding deferred remuneration, split into vested and unvested

All Employees

	2016 (\$ 000's)	2017 (\$ 000's)
Vested during the financial year (USD)	0	4,194
Unvested as of Dec 31 (USD)	0	9,494

- (b) Total amount of outstanding deferred remuneration, split into cash, equity and equity-based instruments and other forms

All Employees

	2016 (\$ 000's)	2017 (\$ 000's)
Equity and equity-based instruments as of Dec 31 (USD)	0	9,494
Long Term Cash as of Dec 31 (USD)	0	0

- (c) Total amount of deferred remuneration awarded, paid out and reduced through performance adjustments during the financial year

All Employees

	2016 (\$ 000's)	2017 (\$ 000's)
Awarded during the financial year (USD)	0	3,063
Paid Out during the financial year (USD)	0	4,194
Reduced through Performance Adjustments during the financial year (USD)	0	0

- (d) Breakdown of amount of remuneration awards for the financial year to show:
 - fixed and variable (with number of beneficiaries in each category)
 - deferred and non-deferred
 - different forms used (cash, equity, and equity-based instruments, other forms)

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

13. Corporate Governance (Continued)

2016:

	All Employees (0 Beneficiaries)	
Total value of remuneration awards for the current financial year	Non-deferred (\$ 000's)	Deferred (\$ 000's)
Fixed remuneration		
-Cash based (USD)	0	0
-Equity and equity-based instruments (USD)	0	0
Variable remuneration		
-Cash based (USD)	0	0
- Equity and equity-based instruments (USD)	0	0

2017:

	All Employees (3 Beneficiaries)	
Total value of remuneration awards for the current financial year	Non-deferred (\$ 000's)	Deferred (\$ 000's)
Fixed remuneration		
-Cash based (USD)	1,245	0
-Equity and equity-based instruments (USD)	0	0
Variable remuneration		
-Cash based (USD)	2,273	0
- Equity and equity-based instruments (USD)	0	2,672

(e) Quantitative information about employees' exposure to implicit and explicit adjustments of deferred remuneration and retained remuneration:

-Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments:

All Employees

	2016 (\$ 000's)	2017 (\$ 000's)
Total amount as of Dec 31 (USD)	0	9,494

- Total amount of reductions during the financial year due to ex post explicit adjustments

All Employees

	2016 (\$ 000's)	2017 (\$ 000's)
Total amount during the financial year (USD)	0	0

- Total amount of reductions during the financial year due to ex post implicit adjustments

All Employees

	2016 (\$ 000's)	2017 (\$ 000's)
Total amount during the financial year (USD)	0	0

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

13. Corporate Governance (Continued)

- (f) -Number and total amount of guaranteed bonuses awarded during the financial year and number of beneficiaries of such payments

None

- Number and total amount of sign-on awards made during the financial year and number of beneficiaries of such payments

None

- Number and total amount of severance payments made during the financial year, and number of beneficiaries of such payments

None

- Number and total amount of severance payments awarded during the financial year, and number of beneficiaries of such payments, and highest such award to a single person

None

14. International claims

			<u>Non-bank private sector</u>		
		Official	Non-bank	Non-	
	Banks	sector	financial	financial	Total
			institutions	private	
				sector	
USD million					
As at 31 December 2017					
Developed Countries	107	-	93	3	203
Offshore centers	344	-	1	21	366
Developing Europe	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	-	-
Developing Africa and Middle East	-	-	-	-	-
Developing Asia and Pacific	-	24	-	45	69
	<u>451</u>	<u>24</u>	<u>94</u>	<u>69</u>	<u>638</u>
	<u><u>451</u></u>	<u><u>24</u></u>	<u><u>94</u></u>	<u><u>69</u></u>	<u><u>638</u></u>

The information of international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, transfer of risk from one country to another is recognised if the claims against counterparties are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country.

A country or geographical segment (including Hong Kong) should generally be reported individually if it constitutes 10% or more of the aggregated international claims.

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

15. Loans and advance to customers and overdue and rescheduled assets

At 31 December 2017, the Company did not have any loans and advance to customers and overdue and rescheduled assets.

16. Repossessed assets

At 31 December 2017, the Company did not have any repossessed assets.

17. Mainland activities

The analysis of Mainland activities is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA return of Mainland activities.

As at 31 December 2017	On- balance sheet exposure US\$'000	Off-balance sheet exposure US\$'000	Total US\$'000
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	23,903	-	23,903
2. Local governments, local government-owned entities and their subsidiaries and JVs	14,102	-	14,102
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,050	-	1,050
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local government not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	37,350	-	37,350
Total	76,405	-	76,405
Total assets after provision	638,363		
On-balance sheet exposures as percentage of total assets	11.97%		

BANC OF AMERICA SECURITIES ASIA LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

18. Currency risk

The net positions in foreign currencies in US dollars equivalent are disclosed below where each currency constitutes 10% or more of the respective total net position in all foreign currencies.

	USD	CNY	Others	Total
USD millions				
As at 31 December 2017				
Spot assets	614	24	-	638
Spot liabilities	638	-	-	638
Forward purchases	78	55	-	133
Forward sales	54	79	-	133
Net long/(short) position	<u>1,384</u>	<u>158</u>	<u>-</u>	<u>1,542</u>

As at 31 December 2017, the Company did not have any net structural position.

19. Authorized institution under requirements of G-SIBs

BASAL is not an authorized institution under requirements of G-SIB.

